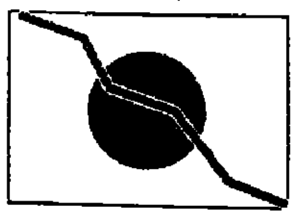

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FINANCIAL TIMES

Europe's Business Newspaper | TUESDAY NOVEMBER 17 1992 | D8523A

Canada forced to defend currency after C$ dives

Canada was forced to raise its interest rates yesterday after a series of gloomy economic forecasts sent the Canadian dollar into a dive. The currency fell below 79 US cents for the first time in almost five years and commercial banks lifted prime rates by from 7.5 to 8.25 per cent. Page 5

IRA planned huge blasts: The anti-British Irish Republican Army said only "sheer ill luck" prevented it exploding two big bombs in London the weekend. On Monday night, police made safe a car bomb at the foot of Canary Wharf, Britain's tallest office block. A one-tonne van bomb was intercepted in a routine road check on Saturday. Dublin talks, Page 7

American Telephone and Telegraph is pitching for a key role in a predicted multi-billion dollar market for hand-held devices which will function as cellular phone, fax machine and pen-computer. NEC and Toshiba of Japan are to build personal communicator products based on the AT&T technology. Page 19 Polish move, Page 23

Cancer stalks Singapore ministers: Singapore's two deputy premiers have cancer. Trade and industry minister Lee Hsien Loong, 40, and Ong Teng Cheong, 56, are both undergoing treatment. Lee, eldest son of senior minister Lee Kuan Yew, has been tipped as a future premier. Page 4

British Steel warned of further job cuts unless the European Commission backed an orderly restructuring of the industry and curbed alleged dumping. The UK steelmaker made a £51m ($77m) interim pre-tax loss compared with a £19m profit a year ago. Page 19; Lex, Page 18; Construction steel dumping call, Page 7; Details, Page 27

Kraft General Foods, the core US food division of Philip Morris, is buying RJR Nabisco's cold cereal business, which includes Shredded Wheat and Shreddies. Page 19

Suicide bomber kills navy chief: A Tamil suicide bomber crashed his motorcycle into a car carrying Sri Lanka's navy commander, killing Vice-Admiral Clancy Fernando, his bodyguard and the driver. Picture, Page 4

Lithuanian polls: Algirdas Brazauskas (left), leader of Lithuania's ex-communist Democratic Labour party and ex-first secretary of the Lithuanian CP, has scored a resounding election victory over Vytautas Landsbergis, the man who steered the country to independence last year. With some results yet to be counted, the DLP 73 is thought to have seats out of 141. Page 2

Virgin venture: Virgin Group of the UK is joining Florida-based video rental company Blockbuster Entertainment in a venture to build music megastores in every US city and much of Europe. Page 19

Kenyan election postponed: Kenya's authorities have postponed the first multi-party elections in 26 years from December 7 until December 29.

Insurer seeks redundancies: Troubled UNI Storebrand, Norway's biggest insurer, is offering all 4,700 of its employees three months' pay to quit. Anyone who accepts can also keep low interest loans from the company for two years.

Palestinian dies in blast: A Palestinian trader was killed and 12 people wounded in Jerusalem's walled Old City when a bomb was thrown into a crowded market.

Spanish bank chief goes: Banesto, the big retail bank which has stakes in several Spanish companies, replaced its chief executive, Juan Belloso, after poor results in the group's parent bank. Page 20

Credit card success: MasterCard, a general-purpose credit card launched by General Motors, has become the US's most successful credit card introduction. It has won over 2m accounts in less than 60 days. Page 22

Bond in court again: Bankrupt Australian businessman Alan Bond was back in court in Perth for retrial on a dishonesty charge. He was jailed for 2¼ years in May after his first trial but the conviction was quashed on appeal in August and a retrial ordered. Page 4

■ STOCK MARKET INDICES		
FT-SE 100:	2,678.6	(−17.9)
Yield	4.51	
FT-SE Eurotrack 100	1,058.27	(−0.99)
FT-A All-Share	1,272.62	(−0.6%)
Nikkei	16,162.89	(−167.8)
New York lunchtime		
Dow Jones Ind Ave	3,223.85	(−9.18)
S&P Composite	421.65	(−3.83)
■ US LUNCHTIME RATES		
Federal Funds:	3¼%	
3-mo Treas Bills: Yld	3.167%	
Long Bond	100 21/32	
Yield	7.564%	
■ LONDON MONEY		
3-mo Interbank	7 5/16%	(7⅛%)
Liffe long gilt future:	Dec 99 13/32	(Dec 100 21/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Jan)	$19.25	(19.025)
■ Gold		
New York Comex	$333.9	(335.3)
London	$335.75	(336.45)

■ STERLING		
New York lunchtime:		
$	1.5215	
London:		
$	1.5195	(1.5495)
DM	2.415	(2.4275)
FFr	8.145	(8.19)
SFr	2.185	(2.19)
Y	189.75	(192.0)
£ Index	77.9	(78.5)
■ DOLLAR		
New York lunchtime:		
DM	1.5845	
FFr	5.3735	
SFr	1.44025	
Y	124.8	
London:		
DM	1.59	(1.5665)
FFr	5.36	(5.285)
SFr	1.4375	(1.4125)
Y	124.8	(123.9)
$ Index	65.2	(64.6)
Tokyo close Y 124.25		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1 250	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1 00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4 50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht60
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es180	UAE	Dh10.00

Hopes rise for success in Washington talks on subsidised exports and oilseeds row

France fails to block farm accord

By David Gardner in Brussels

FRANCE last night lost a last-minute struggle to gather sufficient support to prevent a farm trade accord between the European Community and the US in talks which begin tomorrow in Washington.

Amid a welter of contradictory statistics about what agreement would mean for EC food exports, France's partners gave a "clear benediction" to Mr Ray MacSharry, EC agriculture commissioner and chief farm trade negotiator, according to Mr David Curry, UK agriculture minister.

"His hand is greatly strengthened," an aide to Mr MacSharry said.

The Washington talks are aimed at settling an EC-US row over oilseeds, and clearing the way for agreement on the Uruguay Round world trade reforms being negotiated under the General Agreement on Tariffs and Trade.

Mr Jean-Pierre Soisson, the French farm minister, told his colleagues in a closed meeting that the cuts in subsidised exports and EC output which would result from a Uruguay Round deal, and agreement with the US on the oilseeds dispute, would go beyond the price and production cuts agreed in the reformed Common Agricultural Policy.

France produced a paper to substantiate its position, which drew from the same material in an alleged European Commission document leaked to French papers over the weekend.

A senior Commission official described the French figures as "a doomsday scenario with a political spin". Inside the Council of Ministers, Mr MacSharry dismissed the French analysis as "rubbish and nonsense, with capital letters". According to Mr Curry, "nobody endorsed the French figures".

Ireland and Spain also expressed concern over whether a Gatt deal on farm trade – needed to unlock an overall Uruguay Round agreement – would be compatible with the new CAP. But France's support was less than at last week's foreign ministers meeting in Brussels, and in a council of agriculture ministers where its influence is traditionally greater.

France argued that the Commission negotiators were working on the false assumptions that average farm yield would stay flat, and that EC farmers would recapture swathes of their own market despite commitments to open up to imports.

Furthermore, they insisted, that a Gatt deal would require the EC to take significantly more land out of production than the 15 per cent "set-aside" agreed under CAP.

Mr MacSharry energetically rebutted the French claims. He pointed out that oilseeds output was sharply down this year and would decrease further next year – including under French projections. He argued that Gatt would reduce only subsidised food exports, but that with the price cuts to world market level agreed under the new CAP, there would be no restraint on unsubsidised exports.

Mr John Gummer, the UK agriculture minister, who chaired the meeting, said of the French claims that "it is fantastic to assume that the commissioner would be negotiating away large areas of Europe to be set aside".

Mr Laurits Toernaes, the Danish farm minister, said of the Washington meeting that "we are very close to a Gatt agreement; you can feel that the climate is there for it."

The European Commission is making preparations to meet on Friday to examine any deal.

Dunkel's intervention is low-key affair Page 6
History lesson tempers attitude to a Gatt deal; Political roots run deeply Page 18

Clinton to give priority to jobs and growth

By Michael Prowse in Washington

MR BILL CLINTON said yesterday that measures to create jobs and stimulate growth would be his first priority after taking office next year, in spite of tentative signs that the US recovery is gathering momentum on its own.

The president-elect said he was committed to reducing the budget deficit but warned that a fairer tax system, involving larger burdens on the wealthy, would be an essential part of a multi-year deficit reduction programme.

Mr Clinton was speaking at a joint press conference with Democratic congressional leaders in Little Rock shortly after the Federal Reserve reported a 0.3 per cent increase in industrial production last month compared with September, larger than expected in financial markets.

The production increase was the latest in a series of more encouraging economic figures including reports on Friday of an unexpected surge in retail sales in October and a rebound in consumer confidence early this month. Mr Clinton said he saw no evidence yet of a "long-term strengthening in manufacturing". He saw nothing in the latest numbers to suggest he should do less to stimulate the economy than he promised in the campaign.

His economic package is expected to include a temporary investment tax credit to stimulate business capital spending and an acceleration of public infrastructure projects. A cut in capital gains tax rates on some forms of investment is also possible.

Economists who advised Mr Clinton during the campaign said the fiscal stimulus was likely to be worth $30bn to $40bn or roughly 0.5 per cent of gross domestic product.

Asked if the stimulus would take precedence over efforts to reduce the budget deficit, Mr Clinton said: "I do not believe that you can reduce the deficit without restoring economic growth."

He indicated that measures to reduce the rate of growth of healthcare costs and to shift the burden of taxes on to the wealthy would be essential components of his deficit reduction plan. People would accept the "pain" of deficit reduction more readily if it was seen to be based on "tax fairness", he said.

"While we have cut income taxes, we have had six payroll tax increases which have fallen almost exclusively on people with incomes of $52,000 or less," he said. During the campaign, Mr Clinton said he would raise taxes on the top 2 per cent by about $80bn over four years.

The increase in industrial output was led by higher production of light trucks and followed falls in production of 0.3 per cent and 0.2 per cent in August and September respectively. Production is now running 0.6 per cent higher than in October last year.

Last month's gain in production, however, was narrowly based. Outside of motor vehicles and parts, production rose only 0.1 per cent.

President-elect Bill Clinton outlines his plans from his home town of Little Rock as vice-president elect Al Gore (second left) looks on. He spoke about cutting the budget deficit but warned of higher taxes. They are flanked by Democratic congressional leaders George Mitchell, Richard A. Gephardt and Tom Foley

Japan and Clinton, Page 4
Clinton to mend fences, Page 5
Dow recovers after Clinton press briefing, Page 40

Murderer 'used by army to discredit ANC wing'

By Patti Waldmeir in Johannesburg

A JUDICIAL inquiry into political violence in South Africa yesterday found that the army used a convicted murderer to try to discredit the African National Congress, providing the most damaging evidence so far of state involvement in political unrest.

A statement implicating the army was made by Judge Richard Goldstone, who heads a commission of inquiry set up by Pretoria. It goes well beyond any previous official report on security force complicity in violence.

Judge Goldstone said the inquiry had seized army documents showing that top military officers last year sanctioned the use of criminals to discredit the ANC's armed wing, Umkhonto we Sizwe.

The report could cause severe political damage to President F W de Klerk's government, already under serious pressure after a spate of allegations of state involvement in political assassinations, as well as numerous cor-

Continued on Page 18

Major says Iraq arms trade probe can widen its inquiry

By Our Political Staff in London

THE JUDICIAL inquiry into Britain's secret arms trade with Iraq will not be restricted to Matrix Churchill, the machine tools company at the centre of the scandal, but will be free to delve into other related issues such as the Supergun affair.

Mr John Major, the UK prime minister, said yesterday that the inquiry would be free to focus not just on "arms questions" but on "decisions taken on the prosecution of companies and on public interest immunity".

His statement was interpreted as a fresh attempt to stem the barrage of questions over how much ministers, including Mr Major himself, knew about the extent of British involvement in arming Iraq.

"All ministers who are called will give evidence," Mr Major said. In addition, all civil servants summoned would be "instructed to co-operate" and all papers called for would be "made available".

Lord Justice Scott, who was appointed last week to head the inquiry, would be "entirely free" to decide on the publication of his report and of evidence taken from witnesses, Mr Major said.

Mr Robin Cook, trade and industry spokesman for the opposition Labour party, yesterday made new allegations about the extent of Mr Major's knowledge during his brief stint as foreign secretary in 1989 and thereafter.

Mr Cook supported his claims with a series of previously confidential documents released last week after the trial of three Matrix Churchill directors collapsed, but he failed to unearth more than circumstantial evidence linking Mr Major to the events outlined in the papers.

The prime minister's office acknowledged yesterday that the application of UK guidelines covering the export of defence-related equipment had been changed after the 1988 ceasefire which ended the Iran-Iraq war.

Confirming the shift in interpretation shown in the Matrix Churchill documents, officials said the ceasefire and the and the progress of the subsequent peace negotiations "were properly taken into account" in the application of the rules.

Downing Street emphasised that Mr Major had been concerned to make the terms of reference for the inquiry as wide as possible, but added that it was still open to Lord Justice Scott to seek to extend them further.

Opposition MPs responded by dubbing the terms of reference "unsatisfactory" and complaining that the powers of the judge to enforce witnesses to attend were insufficient.

Mr John Smith, the Labour leader, said the inquiry would not look at whether ministers misled parliament, or require evidence to be given on oath or in public. Nor would it have powers to force former ministers to co-operate.

By stating that Lord Justice Scott would be free to call for a change in the basis of the inquiry if potential witnesses refused to give evidence or answer questions, the government was "conceding from the very beginning the central weakness of their own proposals".

Earlier, Sir Nicholas Lyell, attorney-general, indicated in the House of Commons that current or former ministers could expect to be prosecuted if evidence that they had committed criminal offences came to light.

Unanswered allegations, Page 7

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CONTENTS

Ex-communists in Lithuania win a majority

By John Lloyd in Vilnius

FORMER communists yesterday swept to power in Lithuania, the largest of the three Baltic states, with an absolute majority in the 141-member parliament.

With the last results of the second round of voting still being counted, the most conservative estimate gave 73 seats to the Democratic Labour party (DLP), successor to the Lithuanian branch of the Soviet Communist party. This would allow it an overall majority without relying on any of the small centre parties.

Mr Algirdas Brazauskas, the DLP leader and former first secretary of the Lithuanian CP, said he would form a "technocratic" cabinet with members drawn from a variety of parties or from outside the political world, and he pledged to continue pro-market reforms.

"Those who have written in the Lithuanian and foreign press that the communists are returning here do not know what has happened in our party. We are a social democratic party with only 5 per cent of our members from the communist period," he said.

However, Mr Brazauskas said he would "seek to moderate" the programme agreed between the International Monetary Fund and the outgoing nationalist government of Mr Vytautas Landbergis. "We think the IMF was not properly informed of the economic situation here, of how bad it is. We don't want to change the principles, but we want to try to make the transition to the market easier." He said he would seek better relations with Russia, but stressed that Russian troops – estimated to number about 20,000 – must withdraw next year as scheduled.

Mr Landsbergis grudgingly conceded defeat and said he hoped the communists had changed. His Sajudis movement won only about 26 seats.

Election observers in Vilnius voiced concern that the parliamentary commission investigating links between deputies and the former Soviet KGB had announced that the new parliament could not sit until it had screened all deputies. Mr Jens Thoft, from Denmark, leader of the EC delegation, said that "this possibly indefinite delay is not what we expect in a democratic election".

Professor Bronius Genzales, a DLP deputy and a member of the commission, said the statement had been made only by individual members, not the commission itself.

Bulgaria attempts to bridge credibility gap

The country's new government will have to reassure the west, write Virginia Marsh and Theodor Troev

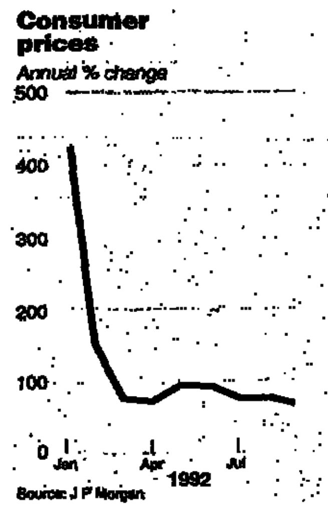
THREE weeks after his resignation triggered the collapse of Bulgaria's first post-communist government, Mr Philip Dimitrov, the outgoing prime minister, has been asked by President Zhelyu Zhelev to try to form another government.

A rapid end to the government crisis now seems likely, an outcome which would be much welcomed by the western banks and institutions for whom the crisis meant unwanted delays for Bulgarian plans to re-negotiate its $12bn (£7.9bn) foreign debt, arrange a new loan from the International Monetary fund and sign an association agreement with the European Community.

Mr Dimitrov, leader of the Union of Democratic Forces (UDF), the country's leading political movement, is trying to form a new coalition, including the party representing ethnic Turks. One of its main aims will be to reassure Bulgarians and western financial institutions that reform is still on track.

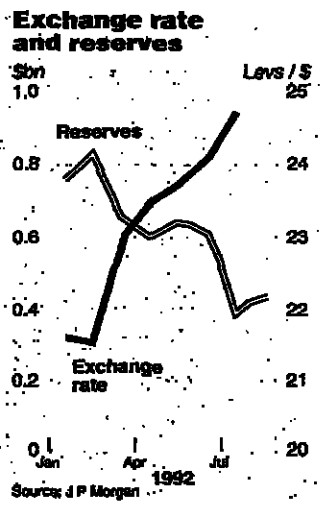
Mr Ivan Kostov, the finance minister, returned from Frankfurt earlier this month with the news that debt rescheduling talks with the 300 commercial banks, which hold more than 80 per cent of the country's debt, had progressed in spite of western concern over the political situation.

For Mr Kostov's team, the political crisis came at a sensitive time. The former socialist government which succeeded communist dictator Todor Zhivkov had broken previous commitments by declaring a debt moratorium in March 1990. But in September, Bulgaria resumed partial repayment of interest on its debt, hoping to re-open a dialogue with the country's creditors. Bulgaria also hoped to sign its first three-year extended agreement with the IMF next month, following two standby arrangements. Progress on both fronts depends largely on the formation of a credible government in Sofia.



Source: J P Morgan


Minister of Finance: Ivan Kostov



Source: J P Morgan

Hopes remain high because, with IMF and World Bank support, Bulgaria has already implemented successful monetary reforms. Inflation has dropped from more than 400 per cent in 1991 to 61 per cent so far this year.

Before the present crisis, the leva, the national currency, had stabilised while the central bank's base rate has dropped from over 60 per cent to 41 per cent in the past six months. Foreign reserves have risen from virtually zero to around $1bn.

An IMF agreement and resolution of the debt problem are crucial for further progress. The country needs foreign financing to undertake structural reforms and privatisation. Industry, which is still more than 90 per cent state-owned, has registered a 60 per cent drop in output since 1989, while the country lacks an infrastructure capable of servicing a market economy.

So far Bulgaria, a small Balkan country of 8.5m, has attracted little foreign investment and no significant inflow of private capital is expected until the country repairs its relationship with western financiers.

The UDF's main political rivals, the Socialist (reformed communist) party, and the Movement for Rights and Freedom (MRF), the ethnic Turk party, do not question the need for reform.

But they criticise the UDF, the country's first non-communist rulers in 45 years, for what they perceive as a haphazard approach to structural reform. They believe that one year of UDF rule produced few positive results but many social costs, notably unemployment, which affects over 12 per cent of the workforce and is still rising.

The MRF, which represents the country's 1m ethnic Turks, the country's poorest social group, cited social concerns for withdrawing its support from the last government.

The MRF has only 10 per cent of the seats in parliament but holds the balance between the UDF and the Socialist party, which are almost evenly matched.

The two parties also criticise the UDF for its confrontational style. The UDF's anti-communism has led it to attack the old power élite, but, in some cases, the party has appointed supporters to key positions with scant regard for professional ability.

In addition, the UDF has not communicated its policies clearly enough, leading the UDF into conflict with many of its original backers within the trade unions, the church, the fledgling private sector and even Bulgaria's president, Mr Zhelev.

"The former government had coherent strategies but the country did not always know about them," says Mr John Wilton, the World Bank's resident representative.

Mr Zhelev, a former dissident, says: "The UDF made political mistakes which led it into conflict with civil society. Rather than rallying the country's resources, it repulsed them." In spite of these shortcomings, however, the UDF is expected to form a new government with the ethnic Turks, largely because the Socialists are unwilling to take over. The party has purged itself and supports market-led reform, but says it does not have enough support in the country to govern.

At the same time, no group wants fresh elections, believing that another political shake-up would only delay reform against the popular will. "Dissatisfaction in the country is not caused by reform but by reform being carried out too slowly," says the president.

Mr Zhelev believes the way out of Bulgaria's current difficulties is for the UDF to adopt a policy of "national reconciliation".

He stresses the importance of internal unity, given the war in the neighbouring former Yugoslav republics and fears that Bulgaria will be drawn into the conflict.

The Bulgarian business community believes that the country's proximity to the fighting has already been enough to deter some potential investors.

There are also fears in Sofia that any prolongation of the current political problems would be a further blow to the country's credibility.

Russia's privatisation auctions delayed a month

By Leyla Boulton in Moscow

RUSSIA will begin auctioning off shares in state-owned enterprises not this month but next, starting with the sale of 40 per cent of the stock of a producer of transistor radios and television sets.

Mr Dmitry Vasiliev, deputy chairman of the Committee for Managing State Property, said that legislation requiring notice of between two weeks and one month for share auctions made it impossible to hold trial auctions in November as planned. The first auction of shares will be held on December 15, using Elex, a radio producer based in Vladimir outside Moscow, as a guinea pig. Elex, which has already sold 60 per cent of its shares to its managers and 7,000 workers, says it is profitable and would like to attract foreign investors.

The authorities claim only 10-20 per cent of state-owned enterprises are potentially bankrupt, as opposed to bigger figures quoted by the opponents of mass privatisation.

Macedonia's Albanians fearful of ethnic bloodbath

By Laura Silber recently in Skopje, Macedonia

ETHNIC divisions have deepened in Macedonia, threatening to shatter the fragile coexistence between Macedonians and ethnic Albanians as the former Yugoslav republic waits in limbo for international recognition.

Leaders of Macedonia's Albanians, who comprise about one-third of the 2m population, fear a violent conflict in the southern republic following riots this month.

Serious unrest in Macedonia, in the heart of the Balkans, could trigger intervention by some or all of its neighbours, Serbia, Albania, Greece and Bulgaria. Greece has blocked international recognition on the grounds that the name Macedonia is Hellenic property. But Mr Sami Ibrahimi, vice-president of the Party for Democratic Prosperity, the biggest Albanian party, says the controversy surrounding the name Macedonia is "a very small problem compared to the inter-ethnic problems here".

Mr Muhamed Halili, a deputy in the Macedonian parliament, says Albanians are now debating whether to continue to participate in official institutions after four people were shot to death by police in the riots on November 6. Ethnic Albanians went on the rampage in Skopje, the capital of Macedonia, when rumours swept the city that a 14-year-old Albanian cigarette seller had been beaten to death by the police.

Ironically, Albanian leaders claim police incited the unrest in Bit-pazar, Skopje's oriental market which has become a centre of the black market, in order to hasten international recognition. "They are trying to show Europe and the world that there could be more trouble and problems if Macedonia is not recognised," says Mr Ibrahimi. The Albanians have four cabinet ministers in the government. Although a minority, they are better integrated into Macedonia than the majority Albanian population in neighbouring Kosovo, the southern Serbian province.

But the events of November 6 appear to have been a watershed. "Albanians are now faced with a choice whether to stand behind the people or the government," says Mr Saso Ordanovski, an independent journalist in Skopje. He says the police may have used excessive force in suppressing the riots, but fears that Albanian extremists are using the incident in order to force Albanian leaders to pull out of the ruling coalition.

Mr Ljubomir Frckovski, the interior minister who has ordered an investigation into the riots, says: "Albanians and Macedonians share a collective memory of living together without ethnic conflict." But he fears the "imported influence" from Serbia and Albanians abroad could destabilise Macedonia.

"The behaviour of the police can lead to violent conflicts in Macedonia which will be a real catastrophe even compared to the Bosnian war," says Mr Ibrahimi.

"I am certain that the neighbouring countries would be involved – even Turkey and Hungary – the third world war could start right here," he says.

For the time being Macedonian and Albanian politicians are calling for a dialogue in order to find a solution. Mr Ibrahimi says that if this fails, "Macedonia will disappear and become a piece of cake for the neighbouring countries".

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German 'wise men' warn on solidarity pact

Independent economic advisers say Chancellor Kohl's planned accord with unions and employers could prove counter-productive, writes Quentin Peel in Bonn

THE GERMAN government's independent economic advisers yesterday warned Chancellor Helmut Kohl that his planned "solidarity pact" between government, trade unions and employers could prove counter-productive in reviving economic growth.

In a comprehensive and largely gloomy assessment of the challenges facing the country, the so-called "five wise men" called for a coherent plan of budget savings, and severe restraint on wages, as preconditions for economic recovery.

They denounced the current arguments between the political parties, unions and employers on a fair distribution of the burden of unification costs to finance east German recovery, and called instead for total concentration on how to promote economic growth.

"The danger is looming that the economy will fall into a recession," they said. "Two years after German unification, pessimism is spreading in both halves of the country." The coming year would provide the German economy with its "first great test," they added.

The Bundesbank has revised the annualised M3 money supply growth rate for September upwards to 9.3 per cent from 9.1 per cent, Reuter reported from Frankfurt yesterday. M3 rose by an annualised 8.8 per cent in August. The bank set a target of 3.5-5.5 per cent for the year, but concedes this target cannot be met.

Forecasting zero growth in gross national product for 1993, but some recovery in the second half of the year, the five leading economists also warned that Mr Theo Waigel, finance minister, was still being over-optimistic in his budget revenue forecasts. They predicted a growing public sector deficit for the next four years, instead of the gradual reduction forecast by the Finance Ministry.

The proposal likely to attract the greatest attention in Germany is a plan for a 7 per cent tax surcharge, to be levied on all income and corporate taxpayers, to provide DM25bn in subsidies for employment measures in east Germany.

The surcharge, to be gradually run down over five years as the eastern economy recovers, would be a fairer way of paying for the subsidies than the existing 2 per cent levy on unemployment insurance contributions, the wise men argue. Only registered employers pay the latter, thus excluding all public sector employees and the self-employed.

Their report brought immediate but predictable calls from the Social Democrat opposition for Mr Waigel to resign. The report was widely welcomed by German industry, but criticised by the unions for its stress on wage restraint.

Forecasts for the German economy, 1993

	OECD (July)		Economic Institutes (October)		Five wise men (November)	
	W	E	W	E	W	E
GNP growth*	2.3	9.0	0.5	7.0	0.0	7.0
Unemployment**	6.1	17.0	6.5	16.5	7.0	17.0
Consumer price rise*	3.5	8.0	3.5	8.5	3.5	9.0
Capital investment*	2.8	13.7	2.5	6.0	-0.5	12.0
Exports*	5.1	15.0	1.0	3.0	1.5	-
Imports*	5.2	7.0	2.0	2.5	0.0	-

* % change over 1992. ** Average annual rate

Its criticism of the planned "solidarity pact" comes at an embarrassing moment for Mr Kohl, who hopes to agree a deal by the end of the year, and yesterday had important talks with civil service union leaders.

The wise men warned that such an ambition could arouse excessive expectations from the public, and failure of the talks would have a far more negative effect than it should.

"The danger lies in the spectacular character of a solidarity pact," they said. "The more the importance of the pact is stressed in public, the greater will be the expectations, and all the worse will be the disappointment if it finally fails."

It was far more important that the government should independently draw up a coherent savings plan, and the unions recognise the need for wage restraint. Only then would the Bundesbank be given the room for manoeuvre to lower its interest rates, and thereby open the way for economic recovery.

"The steady reduction of net borrowing is imperative, if the danger of destabilisation through growing public sector debt is to be avoided," they said. "The task is urgent: it is to rebuild public confidence in the solidity of the state finances through a credible savings strategy."

While forecasting a higher Bundesbank money supply target for 1993 – with a central goal of 6.5 per cent growth in the broad M3 measure of money supply – the wise men warned: "As desirable as a clear interest rate cut might be in the present economic situation, it can only happen if reliable indicators show that inflation is slowing down."

Ironically, the report – forecasting a slower inflation rate of some 3.5 per cent next year – came out on the same day that new figures showed a fifth successive monthly decline in wholesale prices. The federal statistics office reported a 0.1 per cent decline in October, and a 1.6 per cent drop year-on-year against October, 1991.

The report suggests that Mr Waigel's forecast of a reduced public sector deficit, falling from DM120bn (£49.5bn) this year to DM66bn (£27.2bn) by 1996, is over-optimistic, based on an unlikely 6 per cent nominal growth rate of GNP. Instead, with GNP growth rates rising gradually from 3.5 to 5 per cent by 1996, the deficit will increase from DM120bn to DM136bn in that time, they say.

Ministers refuse extra EC spending

By Lionel Barber in Brussels

ALMOST all the European parliament's additions to Community spending plans for 1993 were rejected last night by EC budget ministers, citing severe domestic budgetary constraints.

The move points to a budget confrontation between the parliament and the council of ministers next month, as many MEPs continue to argue that extra spending is vital to break the deflationary cycle in Europe.

The budget ministers, meeting in Brussels, rejected the parliament's proposals that commitments next year to future spending should rise from Ecu63.91bn ($78.59bn) to Ecu70.16bn ($86.22bn).

Instead, they sent back a budget which included a meagre 0.2 per cent increase to Ecu65.86bn above the proposal agreed last July.

Sir John Cope, British paymaster general, who chaired the meeting, said ministers were reluctant to see EC spending rising at a rate higher than that contemplated in member states' domestic budgets.

These constraints are making it difficult for ministers to reach agreement on the so-called Delors II package of measures on the EC's spending plans to the end of the decade, including the "cohesion funds" – money for poorer members such as Ireland, Spain, Portugal and Greece.

It is not unusual for ministers to reject parliamentary spending proposals, but failure to agree a budget next month would probably mean the introduction of emergency funding measures – another crisis on top of the plethora of problems created by uncertainty over the future of the Maastricht treaty on political and economic union.

La Malfa tightens party grip

By Robert Graham in Rome

THE leader of Italy's Republican Party, Mr Giorgio La Malfa, has emerged considerably strengthened from his party's 38th congress which concluded at the weekend.

The final vote gave near unanimous support for Mr La Malfa's attempt to make his small party the central element in a new realigment of the country's political groupings pressing for institutional and electoral reform.

None of those who questioned his presidential style of leadership – including Mr Bruno Visentini, the party's elder statesman and former minister – have been retained on the Republicans' 185-strong national council.

Critics have been excluded and 91 new, and mostly young, people have been brought in, among them 27 women.

The Republicans won just under 5 per cent of the vote in the general elections last April. Although this was a modest improvement on their performance in 1987, Mr La Malfa had hoped for broader electoral support for a party which stood in opposition to a renewal of the four-party government coalition of Christian Democrats, Socialists, Liberals and Social Democrats.

The Republicans continue to suffer from their public image of a minority party appealing to an intellectual elite. They hope to broaden their appeal by establishing themselves as reformers.

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Social Democrat chairman Björn Engholm addresses the party's emergency congress in Bonn yesterday

SPD proposes changes in asylum law

By Judy Dempsey in Bonn

GERMANY'S opposition Social Democratic Party (SPD) yesterday moved closer to agreeing sweeping changes in the country's asylum law.

At the same time it called, at an emergency congress, for introduction of an immigration policy which would give the 6m foreigners living in Germany the right to citizenship, and place restrictions on those trying to enter the country.

The SPD's proposed amendments to the asylum law, which is enshrined in Article 16 of the constitution, will retain the right of individuals facing persecution to continue to seek asylum in Germany. However, asylum-seekers will be sent back if they enter the country from any European signatory of the 1951 Geneva Convention on the status of refugees and the European Human Rights Convention.

Mr Ignatz Bubis, head of the country's Jewish community (which numbers fewer than 30,000) and the only invited guest speaker at the congress called to discuss immigration, said the party should not be concerned with changing the asylum laws.

"I am very sad that this is happening. This is not the issue. Politicians should amend the citizenship laws to let the growing community of German-born foreigners integrate more easily," he said.

Mr Björn Engholm, the SPD leader, who was determined to stamp his authority on a party which has agonised over the issue of asylum, denied he was bowing to pressure from the far-right.

Instead, in an impassioned speech which invoked the Nazi period, he said: "History teaches us – foreigners are the target today, tomorrow it will be the disabled, and the day after tomorrow, left-wing trade unionists and others who think differently." He added: "Let's not wait until the immigration problem creates new political majorities that we can no longer influence."

However, he acknowledged that there was little point in amending the country's liberal asylum laws if the party was not prepared to introduce an immigration law.

Ms Herta Däubler-Gmelin, a deputy leader of the SPD, said Germany should introduce dual citizenship, liberalise the naturalisation process, and even allow citizenship to those born on German soil. But she said the governing Christian Democratic Union and Christian Social Union were staunchly opposed to these reforms, because they had strict interpretations of what was meant by a German.

Mr Bubis's view was that it was disgraceful that German law granted citizenship along blood lines, which he described as *völkisch*, or racial.

Today, the party faces another sensitive issue concerning what role German troops should play outside Nato territory.

NEWS IN BRIEF

Inflation edges down in France

FRANCE'S annual inflation rate eased to 2.4 per cent last month, from 2.6 per cent in September, according to provisional figures, writes William Dawkins in Paris. The result places the French inflation rate 1.2 percentage points below the average of its nine main trading partners. The French rate has been running below the German rate consistently for 17 months.

French face transport strikes

A wave of strikes will disrupt France's public transport this week, halting the Paris Metro at rush hours and disrupting trains and airlines, according to the unions, Reuter reports. Metro drivers are protesting at changes which they say will mean longer working hours. The Communist-led CGT union has called a 24-hour rail strike for Thursday and another a week later to demand wage rises and protest against planned job cuts. Public transport unions have called a 24-hour strike on November 27 in all provincial towns to back wage claims. Pilots and ground staff at Air France are also to stop work on November 27 in protest at plans to cut 5,000 jobs over three years.

Honecker trial delayed again

The trial of former East German leader Erich Honecker was adjourned again yesterday as a second defendant, former Stasi security chief Erich Mielke (84), was excused from appearing because of poor health, Reuter reports from Berlin. The trial was postponed last week after another defendant, former Prime Minister Willi Stoph (78), suffered a heart attack.

Danes confident on treaty

The Danish prime minister, Mr Poul Schlüter, yesterday said he was optimistic of finding a solution to the country's Maastricht treaty problem at the EC summit in Edinburgh next month despite the cool reaction of its partners, writes Hilary Barnes in Copenhagen. He was speaking after meeting the seven political parties which back the so-called "national compromise" calling for special arrangements for Denmark.

An opinion poll published in business newspaper Boersen yesteday indicated that if there were a vote now on the national compromise, 45.2 per cent would vote yes, 38.0 per cent no, with 16.8 per cent undecided.

Polish airline chief sacked

The head of Poland's national airline, Lot, was sacked yesterday for poor management, Reuter reports from Warsaw. Ministry officials said Lot faced a loss of credibility in financial circles and among international carriers and that its debt had grown. The government wants to privatise Lot shortly.

Brittan defends BA decisions

Sir Leon Brittan, EC competition commissioner, yesterday rejected charges by Air France that he had applied a double standard in favouring recent takeover bids by British Airways, writes Lionel Barber in Brussels.

Mr Bernard Attali, Air France president, has threatened legal action over Sir Leon's clearance of BA's takeover of Dan Air, and his failure to prevent BA's plan to take just under 50 per cent stake in the French regional airline Transport Aérien Transregional (Tat).

But Sir Leon's officials suggested yesterday that Mr Attali was misinformed, specifically in his charge that the anti-trust directorate should have included Dan-Air's air charter business before determining that the deal did not fall under the EC merger threshold of Ecu250m (£203m) annual turnover. Officials said that since BA was not acquiring Dan Air's air charter business, it would have been wrong to include it in its merger calculation.

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China hints at trade link with HK row

By Alexander Nicoll, Asia Editor

CHINA indicated yesterday that it was prepared to link its dispute with Britain over Hong Kong with the two countries' future economic relations.

The warning was contained in a speech to the Royal Institute for International Affairs in London by Zhu Rongji, the vice premier who is chiefly responsible for China's economic reform programme.

After emphasising the need to adhere to the Sino-British agreement on Hong Kong, Zhu went on immediately to stress recent growth in trade with Britain.

Asked whether he meant to imply that the two issues were linked, he replied simply: "Let's wait and see."

The 1984 Joint Declaration had heralded the best ever period in Sino-British relations, Zhu said.

However after the October proposals on political development, by Mr Chris Patten, Hong Kong's governor, China had to ask itself whether its agreements with Britain should be cast to the winds.

The proposals, he said, contravened the Joint Declaration and what he described as an agreement on convergence of Hong Kong's political system with the Basic Law, Hong Kong's Beijing-drafted post-1997 constitution.

"We want co-operation and not confrontation. But no one

Zhu Rongji in London yesterday: "Let's wait and see"

should expect confrontation to force us into concessions and no one should make any wrong judgment about this."

He hoped the Hong Kong government could return to the process of consultation as stipulated in the Joint Declaration.

He claimed that the proposals were unpopular in Hong Kong. Asked about opinion polls indicating that they were popular, he said: "We have seen all kinds of polls. They have different results and they vary from time to time."

Zhu is due this morning to meet Mr John Major, prime minister, who is expected to make clear Britain's desire for discussions on Mr Patten's proposals. Yesterday he saw Mr Douglas Hurd, foreign secretary.

Japanese search for clues to life with Clinton

The generation change at the top of US politics is unsettling Tokyo, says Charles Leadbeater

FOR THE PAST week a team of 20 top officials from Japan's Ministry of Finance has been hard at work in Washington seeking clues about what a Clinton presidency could mean for Japan.

Although the answer will remain unclear for months, Japanese concerns are already crystallising.

Mr Hiroshi Mitsuzuka, the leader of one of the ruling Liberal Democratic Party's factions remarked : "There must be change. This was the first post cold war election in the US. One of the main theme's was a desire for change."

Professor Takashi Inoguchi, professor of politics at the University of Tokyo identified the common Japanese concern: that change will be in the direction of toughness.

He said: "The Clinton team will be tough, they will be tough on themselves demanding more from the US economy but tough on us as well."

What is unsettling for Japan is not just that there will be a shift from Republican to Democrat in the White House.

Even more significant for many Japanese is the change of generations at the top of US politics.

The 46-year old Mr Clinton has no memory of Japan as a vulnerable, war ravaged, nation which became a bulwark of American anti-communist policy in Asia. He knows Japan only as a strong economy. Since the mid-1950s the two elements of the relationship have balanced one another. The strategic, political relationship was designed to contain communism in Asia. The strength of that alliance soothed the economic and commercial tensions which have accompanied the growth of Japan's trade surplus and its economic power. Trade disputes were never allowed to jeopardise the basic anti-communist alliance.

Mr Clinton will find the balance between the strategic and economic aspects of the relationship fundamentally unsettled. Japan's growing trade surplus did not play a large role in the US presidential campaign. But trade tensions are unlikely to subside, especially if the US economic recovery continues to be weak.

According to a senior US diplomat in Tokyo : "A new administration will almost certainly have to have another go at the trade issue. We have learned the only thing that works is long hard pressure."

Not only do many Japanese expect Mr Clinton to press for further measures to open the Japanese market. They also believe trade politics will become more complicated.

An agreement between the US and Europe on farm trade would quickly swing the spotlight on to Japan's willingness to open up its rice market. The US commitment to the North American Free Trade Agreement has alarmed many Japanese exporters.

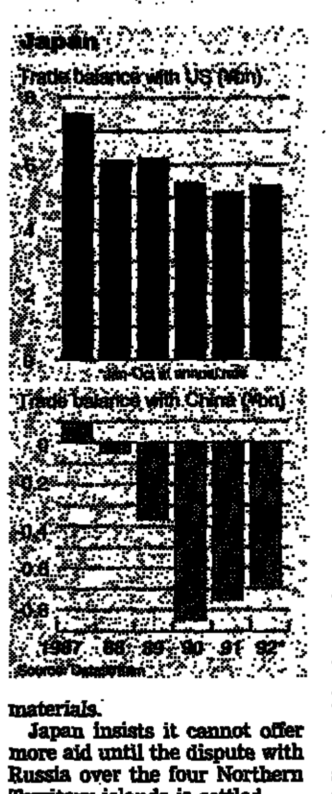
China may also become a divisive issue with Japan. Mr Michael Armacost, US Ambassador to Tokyo says "China could be a testing ground for a US policy of tying aid to human and civil rights." If the US did impose restrictions on aid and trade with China, it might not look kindly upon Japan's increasingly close trade ties with China.

The Japanese Emperor's recent visit to China, preceded by a stream of Japanese politicians and business leaders, was a subtle but significant signal of a more independent Japanese policy.

Japan may be prepared to maintain this independence. Senior Tokyo trade officials say there is little sense in talking of human rights without fostering China's economic development.

Mr Mitsuzuka suggests human rights are more important in a multiracial society such as the US than in ethnically homogenous societies such as China and Japan.

Approaches to Russia may also become more divisive if the US insists that Japan carries more of the aid burden. The US in the past three years has committed $9.3bn to the former Soviet Union. About 65 per cent has been disbursed. Japan has committed $2.7bn most of it in the form of trade credits to Japanese companies. Most has not been disbursed. The funds which have been disbursed have gone to the Russian Far East which hosts 3 per cent of the Russian population and 80 per cent of its raw



materials.

Japan insists it cannot offer more aid until the dispute with Russia over the four Northern Territory islands is settled.

There is no prospect of a rupture. According to Mr Yukio Sato, director general of the Ministry of Foreign Affairs' North American bureau, the US still defines Japan's foreign policy choices: "Some people say we could go back to Asia if relations with the US turned sour. But no Asian nation would welcome a Japan which had a bad relationship with the US."

But Professor Robert Scalapino, an Asian expert at the University of California, warns that the two countries must put their relationship on a new basis. To stick to old policies was impossible in the light of the current changes. It was time for the US to adopt fresh Asian policies.

Even the most imaginative innovator would be hard pressed to come up with something as potent as the cold war to bind the two together. Pragmatism and practicality rather than strategic vision are more likely to characterise the relationship in the Clinton years.

As Mr Mitsuzuka puts it with resigned realism: "Even if we are divorced we can still live under the same roof."

Fears grow of credit crunch for small companies

By Charles Leadbeater in Tokyo

JAPAN'S Industry ministry is becoming increasingly concerned that the country's small and medium-sized companies may be suffering a credit crunch as hard-pressed banks cut their lending.

Mr Kozo Watanabe, minister for International Trade and Industry, speaking after a meeting yesterday with the leaders of four small business associations, said he would ask the banks "to carefully consider that they need not refrain from lending money."

He was responding to growing criticism from small businesses that banks are increasingly reluctant to lend to small companies because they are trying to reduce their mounting bad loans.

Small companies with less than 100 employees account for about 56 per cent of employment in Japan. They are far more dependent on bank lending than large companies.

Figures published last week showed that small companies accounted for most of the sharp increase in corporate bankruptcies over the past year.

Senior Bank of Japan officials said that government funds to provide small business finance would probably be increased to prevent a private sector credit crunch.

The small business leaders pressed Mr Watanabe for early implementation of the supplementary budget needed to enact the Y10,700bn ($86.3bn) emergency package announced in August.

The sluggish state of the Japanese economy was confirmed by figures from industry and retailing. Steel production in October was 8.1 per cent below last year, according to the Japan Iron and Steel Federation. Sales at 27 department stores in the Tokyo area fell last month, for the eighth month in a row, by 4.9 per cent to Y233bn.

Wholesale prices fell 0.4 per cent in October from the previous month.

Patten accused over challenge to sovereignty

By Yvonne Preston in Beijing

CHINA yesterday launched a blistering attack against the governor of Hong Kong, Mr Chris Patten, accusing him of challenging Chinese sovereignty and of seeking to perpetuate the division of the Chinese people.

An angry editorial in the communist party newspaper, People's Daily, said Mr Patten met a senior official of Taiwan's ruling Nationalist party, Mr Xu Shengfa, for a political purpose on November 3. The meeting was held in Government House where Mr Patten "openly offered flattery and favours".

The governor had tried to cover this up by claiming the meeting was with members of a Taiwanese business delegation for commercial reasons only, the paper said.

But on November 9 the manager of China Travel Service, Mr Li Changyi, disclosed the governor's guest was a member of the Taiwanese Nationalist Party's central standing committee. The editorial said the meeting was greeted by Taiwanese newspapers as a break with precedent which opened new top level channels of communication between Hong Kong and Taiwan.

China regards Taiwan as a breakaway province. Although much of Taiwan's enormous trade with the mainland is routed through Hong Kong because Taiwan bans direct trade, the colony's leaders have in the past been careful to avoid offending the Chinese by officially receiving Taiwanese politicians. Taiwanese officials have often been denied entry to the colony.

The People's Daily editorial said: "Patten's 'break with precedence' is obviously a challenge to Chinese sovereignty."

Mr Patten wanted to make Hong Kong an "independent or semi-independent or self-governing political entity" to continue British colonial rule.

China kept up the pressure over Hong Kong yesterday by repeating its refusal to support any attempt by the British authorities to proceed unilaterally with the construction of the multi-billion dollar airport.

Talks in Beijing in July failed to reach agreement on financing the new airport, the official Xinhua news agency reported. It quoted an unnamed Chinese spokesman for the Sino-British Joint Liaison Group who said the British had rejected as too risky a Chinese proposal in July for the urgent work of site reclamation for the airport to proceed pending an agreement on overall financial arrangements.

The spokesman said the British side was now going back on its words and using the suggestion of the Chinese side as an excuse to proceed alone.

Bond pleads not guilty on charge of dishonesty

By Kevin Brown in Sydney

MR ALAN BOND, the bankrupt Australian entrepreneur, yesterday pleaded not guilty for the second time to a charge of dishonestly inducing a businessman to take part in a A$370m (£168m) corporate rescue.

Mr Bond, 54, was jailed for two-and-a-half years after being convicted on a similar charge in May, but was released in August after the Western Australian Court of Criminal Appeal quashed the conviction.

The appeal court ordered a second trial after hearing fresh evidence which the defence claimed threw doubt on the credibility of prosecution witnesses. The retrial, in the Perth district court, is expected to conclude later this week.

The charge against Mr Bond is related to the 1987 rescue of Rothwells merchant bank, run by Mr Laurie Connell, a fellow entrepreneur. Mr Bond, then chairman of Bond Corporation, played a leading part in organising the rescue.

The prosecution claims that Mr Bond concealed from Mr Brian Coppin, a businessman who contributed to the rescue, the fact that Bond Corporation was to receive a A$16m success fee from Rothwells.

Mr Coppin told the court that Mr Bond asked him in October 1987 to raise A$20m (later reduced to A$8m) to assist the rescue of Rothwells. He said he did not learn of the success fee until November 14.

The Rothwells rescue followed the worldwide stock market collapse in October 1987.

The bank, which collapsed in November 1988, was the focus of a recent royal commission report into relationships between politicians and businessmen in Western Australia. More than 20 people face criminal charges relating to the rescue, including Mr Connell.

Mr Bond quit as chairman of Bond Corp in September 1990, just two days before the company announced a record loss of A$2.2bn.

SRI LANKA NAVY CHIEF ASSASSINATED: the remains of the car carrying Vice Admiral Clarence Fernando lie upside down in Colombo, Reuter reports from Colombo. A Tamil suicide guerrilla bombed the car in an audacious attack on Monday, riding his motorcycle close to the officer's car and blowing it up with a powerful bomb. Three other people in the car were killed in the attack.

Grenade attack in Jerusalem

An attacker tossed a grenade into a crowded market in old Jerusalem yesterday, killing one Arab and wounding 12, Reuter reports from Jerusalem.

Police said they did not know who threw the grenade from a rooftop in the walled Old City's Moslem quarter but they sent reinforcements to the area to prevent reprisals.

Jerusalem police chief Haim Albaldes said police were investigating several possibilities, including an attack by Jews. Police detained 12 Arabs after the blast.

Kenya poll delay

The Kenyan authorities yesterday formally postponed the first multi-party elections in 26 years from December 7 until December 29, Reuter reports from Nairobi.

The delay follows a High Court ruling last week upholding an appeal by opposition groups for more time to nominate candidates to challenge President Daniel arap Moi's 13-year-rule. The new date was announced in a terse statement by the Electoral Commission, which has been accused by opposition groups of bending the rules to favour Moi.

Caste law upheld

India's Supreme Court yesterday upheld a federal order reserving government jobs for low-caste Hindus, a decree that had prompted dozens of high-caste students to commit suicide in protest, AP reports from new Delhi.

The court was ruling on appeals against the August 1990 decision by former Prime Minister V.P. Singh to hold 27 per cent of jobs for the low-caste. The present government of Prime Minister P.V. Narasimha Rao, which came to power in June 1991, endorsed Singh's policy. However, action was halted while the Supreme Court weighed arguments that the quota was unconstitutional.

Another 22.5 per cent of government jobs previously were set aside for untouchables.

In a separate order, the nine-judge court asked the government not to increase the total job quotas beyond 50 per cent.

Bhutto on course for clash over march

By Farhan Bokhari in Islamabad

THERE was little hope in Pakistan last night that the government of Prime Minister Mr Nawaz Sharif and opposition parties led by former prime minister Ms Benazir Bhutto could avoid their most bitter confrontation tomorrow.

Opposition activists will try to march into the capital, Islamabad despite a ban on protesters entering the city.

Ms Bhutto has planned the march in the hope of a comeback on a populist tide. She claims thousands of her supporters have been arrested since the weekend .

The march could pose a serious test for the ruling alliance but political observers do not foresee an immediate change of government.

A large turnout would intensify political pressure on Mr Sharif, who came to power in elections two years ago after Ms Bhutto's government was dismissed on charges of corruption.

Mr Sharif appears to have become vulnerable since a split earlier this year within the ruling Islamic Democratic Alliance led to a break with the Mohajir Qaumi Movement (MQM), the powerful regional party in Karachi, Pakistan's largest city and heart of the country's corporate and financial sectors.

Though he still claims to have a simple majority in Parliament, he has lost the two-thirds majority which gave him the opportunity to bring about constitutional changes. There are also new concerns about the economy, with the government estimating recent flood damage at between Rs40bn and Rs50bn ($1.4bn and $1.75bn).

Opposition activists, who have repeatedly accused the government of corruption and failure to resolve important national issues, are demanding an interim "national consensus government" representing a broad spectrum of political parties as a prelude to "free and fair elections."

Ms Bhutto said: "The present government neither has the legitimacy nor is able to govern in accordance with the constitution. Law and order and the government machinery has broken down."

Mr Sharif said the march would be a failure which the "masses would not be so foolish to join". Everybody will see that people support "our policies for progress and development."

In Pakistan's troubled political history since independence 45 years ago, there are few examples of populist pressure bearing upon the rulers, and, today, there are few visible signs of public unrest.

Cancer clouds Singapore political future

By Victor Mallet in Bangkok

THE POLITICAL succession in Singapore was thrown into question yesterday when the government announced that both the island's deputy prime ministers have cancer.

The two men are Mr Lee Hsien Loong, the son of Mr Lee Kuan Yew, Singapore's elder statesman, and Mr Ong Teng Cheong. The younger Mr Lee was widely expected to succeed Mr Goh Chok Tong as the country's next prime minister.

Mr Goh's office announced after a day of turmoil on the Singapore stock market that both deputy premiers were suffering from forms of cancer. The Straits Times Industrial Index fell 32.53 points or 2.25 per cent yesterday to 1,414.27.

At the weekend Mr Goh said his most urgent task was to find talented ministers to revitalise his ageing cabinet.

Yesterday's statement said doctors thought the two men had excellent chances of recovery because their cancers had been diagnosed at an early stage. There was no immediate suggestion that either of the two would step down.

● Singapore has announced an easing of restrictions on a political prisoner detained without trial for 23 years until his conditional release in 1989, AP reports from Singapore. Mr Chia Thye Poh, who has been restricted to a tourist resort island less than a mile away, may live on Singapore from November 28.

Credit surge poses threat of inflation

CHINA'S rush to develop a market economy is fuelling a surge in credit to fund inefficient capital investment, the official China People's Daily has said, Reuter reports from Beijing.

"If we do not look at the reality, and do not recognise that speed without efficiency will not last long, then it will create economic chaos," the Communist Party's newspaper argued in a commentary.

While proud that their economic policies are working, China's communist leaders fear that mismanagement may bring a repeat of the economic turbulence of the late 1980s, when spiralling inflation helped to bring about the pro-democracy protests in the spring of 1989.

Inflation remains at about 5 per cent, according to official statistics, but urban areas are posting rates closer to 10 per cent, which diplomats say are still underestimated.

Delegates hopeful on preservation of ozone layer

By Bronwen Maddox, Environment Correspondent and George Graham in Washington

DELEGATES to international talks on damage to the earth's ozone layer, starting in Copenhagen today, are confident they will be able to speed the phasing out of chemicals that damage the layer.

The fourth meeting of parties to the 1987 Montreal Protocol comes just days after a UN report warned that thinning of the ozone layer of the atmosphere, which threatens to increase human skin cancer and damage crop yields, had been more severe this winter than scientists had expected.

The Montreal Protocol, which agreed to phase out man-made chemicals used in aerosols, refrigeration and cleaning, has been one of the environmental successes of the past decade. Its proposals have won strong international support, partly because of scientific confidence of the link between ozone depletion and these chemicals and partly because of the availability of substitutes.

Representatives of 70 countries, who are beginning 10 days of talks, are expected to back the phasing out of production of four chemicals by 1996 instead of the original deadline of 2000: chlorofluorocarbons (CFCs), carbon tetrachloride, halons and a form of trichloroethane. EC countries have already agreed to tighter deadlines of ceasing production by 1997.

The proposals have the support of the US, whose car industry is one of the largest single users of CFCs for air conditioning. Mr William Reilly, administrator of the US Environmental Protection Agency (EPA), said the total cost of eliminating CFCs in the US would be $36bn, and the additional cost of moving up the phase-out date from 2000 to 1995 would be $2bn.

However, it is unclear whether the conference will back additional "intermediate targets" of cutting production of the chemicals by between 50 and 85 per cent, compared with their pre-protocol levels, by 1994.

The meeting will also attempt to phase out HCFCs and freeze production of methyl bromide, two chemicals whose threat to the ozone layer has become clearer since the 1987 agreement.

Egypt in companies shake-up

EGYPT has announced long-delayed plans to shake up publicly owned companies to help inject competitiveness into the country's ailing state economy, Reuter reports from Cairo.

However, some western economists said the moves, which should have taken effect in May, might be further delayed by a valuation of the companies' assets and liabilities, the first step towards privatising them.

The 27 holding companies set up last year to manage the large public sector will be reduced to 20 or 18, with each handling a portfolio of companies in competing industries, officials say.

Each holding company at the present time handles all the affiliates in a particular sector.

In some cases such as cement, where the public sector is the main local supplier, the holding company has been able to set its own monopoly prices.

"The goals are to break up monopolies...and balance them between each other, to prevent the parent companies from intervening too much in their affiliates and give most power to the management," Mr Atef Sedki, prime minister, told al-Ahram newspaper on Monday.

Western donors backing Egypt's economic reforms with $10bn of debt forgiveness have pressed for public flotations for nearly a year.

هكذا صدر الأصل

Attempted coup leaves Peruvians perplexed

Sally Bowen on questions raised by the move against Fujimori

DETAILS of last Friday's coup attempt in Peru, allegedly intended to assassinate President Alberto Fujimori and kidnap the head of his joint chiefs of staff, emerged over the weekend. But they leave key questions unanswered.

With Peru's return to "democratic institutionality" (via elections for a constituent congress) less than a week away, opposition politicians are demanding that Mr Fujimori clarify his repeated claim that "the black hand of political interests" was behind the superficially tame attempt.

Some 25 retired and serving army officers and a handful of civilians are under arrest. The majority have already made extensive confessions.

Trial will be by closed military court and proceedings have already been opened against the ringleaders – who have had no access to legal advice as yet.

But there are still no details of involvement of politicians. As Mr Fujimori gave weekend interviews, journalists demanded evidence while retired generals termed the plot "absurd and unreal". Even Mr Fujimori called it "crazy".

On the face of it, the conspiracy seems to have had faint chance of success. It was hatched, says the official version, by three retired and two serving army generals and led by General Jaime Salinas. He and the other two retired generals, Palomino and Pastor, had all served as heads of the military household in the government palace during the previous regime of President Alan Garcia.

According to Mr Fujimori, Gen Salinas attempted an unpublicised coup in July 1990, to prevent him taking office. The intention this time, Mr Fujimori claims, was to impede next Sunday's elections. The plotters were allegedly to put themselves in key military and ministerial positions and reinstate the congress which Mr Fujimori dissolved on April 5.

He said it was "not yet clear" whether they planned to install Mr Maximo San Roman, the constitutional vice-president, as president.

Mr Fujimori insisted the conspirators were bent on assassinating him. He displayed on television a rifle fitted with telescopic sights captured during the arrests "similar to the one used to kill President Kennedy".

In the early hours of Friday, the president and his family were whisked from government palace under heavy guard to a secret location. Tanks and troops blockaded Lima's main square. But the only hostile movement seems to have involved alleged assassin Captain Hugo Ormeno, who was arrested with five other men several hundred yards from his objective.

The three generals accused of playing the leading role in the conspiracy were all forced into early retirement when Mr Fujimori assumed the presidency in July, 1990. In what he called an essential "moralisation" process, he sacked many high-ranking officers from the armed forces and police.

A certain degree of discontent in the armed forces undoubtedly exists, primarily over low pay and recent changes to systems of promotion.

Some middle and higher-ranking officers complain that all key promotions are managed by retired captain Vladimiro Montesinos, Mr Fujimori's shadowy but powerful personal adviser.

There seems no short-term threat of a repetition of Friday's events. Lima is calm and loyal messages have been received from military commanders in all Peru's regions.

Mr Fujimori, meanwhile, is uncharacteristically jovial, apparently enjoying his new role as defender of democracy. The coup attempt has moved pre-election political debate still further to the sidelines and everything looks set for a comfortable government victory in Sunday's elections.

Pledge to end cold war between Congress and the White House

Clinton seeks to mend fences

By Nancy Dunne in Washington

MR Bill Clinton, the president-elect, and Democratic congressional leaders yesterday pledged "an end to the cold war between Congress and the White House and a new era of co-operation" on plans to tackle economic and health care problems.

Mr Clinton and his wife, Hillary, met vice-president-elect Al Gore, Mr Tom Foley, Speaker of the House, Mr George Mitchell, the Senate majority Leader, and Mr Dick Gephardt, the House majority leader on Sunday night.

"We're off to a good start," Mr Foley said in Little Rock yesterday morning. He promised the House would move more swiftly than at any time in recent history to organise for action on the new president's proposals.

Only a few notes of discord marred the pronouncements of harmony. Mr Clinton called "intriguing" a plan by Mr Foley to allow the new president to "line item veto" parts of bills, still giving Congress the power to override the veto by a majority vote. This means, said Mr Clinton, "you can't just bury something of questionable merit in a big, omnibus bill." However, Mr Mitchell, withheld his support from the proposal, saying once the economy had improved "matters of process will be less important."

Mr Clinton reaffirmed his intention of lifting the ban on homosexuals serving in the US defence forces – a move opposed by Sen Sam Nunn, the powerful chairman of the Senate armed services committee. This promise could haunt him, particularly if military leaders resign over it, as some have threatened to do.

On foreign policy, the president-elect refused to talk specifics, but on Bosnia, he said there were "many options short of sending troops in but beyond where we are now". On improving relations with Vietnam, he stressed the need for a full account of those American troops missing in action.

Mr Clinton said his wife – whose role in the administration is being closely watched – had stayed for the entire meeting with the congressmen and that "she knew more than we did about some things". The Clintons are due to make their first post-election trip to Washington on Wednesday where they will meet with the Bushes and both Democrats and Republicans in Congress.

In a referendum on Sunday an overwhelming majority of Panamanians voted against a proposal to eliminate the army under constitutional reforms backed by President Guillermo Endara, pictured casting his ballot. With 92 per cent of results in, 64 per cent of voters were against.

Brazilian left gains ground in local polls

RESULTS of the final round of voting in municipal elections held across Brazil on Sunday showed a considerable shift to the left in most of the country, writes *Christina Lamb* in Rio de Janeiro.

The left-wing Workers party (PT) won in the major state capitals of Belo Horizonte, Porto Alegre and Goiania, as well as in the important industrial town of Ribeirao Preto. Mr Luis Inacio da Silva, the PT leader who narrowly lost the 1989 presidential elections, described the party's performance as "extraordinary".

However, the PT lost São Paulo, Brazil's largest city and the party's birthplace, to Mr Paulo Maluf from the Social Democrats (PDS), despite Mr Maluf's association with past military regimes and successive defeats in democratic elections.

Mr Maluf is expected to use his position to build up a base for presidential elections.

Supreme Court to hear tobacco pricing case

THE US Supreme Court yesterday agreed to hear a tobacco competition case which involves claims by the Brocke Group – formerly Liggett Group – that Brown & Williamson, a subsidiary of Britain's BAT Industries, used predatory pricing to limit Brooke's ability to compete, writes Nikki Tait in New York.

The case could also clarify the extent to which price-cutting is legal.

Brooke/Liggett introduced low-price generic cigarettes in the early-1980s, to which Brown & Williamson responded with a brand of its own and offers of volume-based rebates.

Brooke brought an anti-trust case against B&W and in 1990 was awarded nearly \$50m (£33.1m) – increased to \$148.8m because of the anti-trust nature of the case. However, a federal appeals court subsequently ruled in B&W's favour.

Canada forced to protect currency

By Bernard Simon in Toronto

A BURST of gloomy reports on Canada's economic prospects has sent the Canadian dollar reeling, forced interest rates higher and raised fresh concern about the sputtering business recovery.

The Canadian dollar sank by almost half a US cent in early trading yesterday, falling below 79 US cents for the first time in almost five years. The Bank of Canada responded to the fall by pushing up short-term interest rates. Commercial banks followed suit, lifting prime rates by three-quarters of a percentage point to 8.25 per cent.

Economists are concerned that the jump in interest rates will rub out signs of an end to the unexpectedly long and deep recession. With inflation running at an annual rate of little more than 1 per cent, real long-term interest rates are now at an unusually high level of about 8 per cent.

Describing the most recent rise in money costs as "very dangerous", Mr Warren Jestin, chief economist at Bank of Nova Scotia, said yesterday that Canada was teetering "on the lip of deflation".

"Given the weakness in the economy, the betting is that the Bank of Canada has leeway to raise interest rates, but not much leeway," Mr Jestin said.

Financial markets' nervousness is ascribed to worries about deteriorating federal and provincial government finances. The federal government indicated late last week that its budget deficit for the year to March 31 1993 could reach C\$35bn (£18.3bn), compared with the original estimate of C\$27.5bn. Several provinces are also battling to contain deficits in the face of slumping tax revenues and rising public spending demands, especially on social security.

Although Mr Donald Mazankowski, the finance minister, has affirmed his determination to rein in the deficit, calls are growing on the government to stimulate growth.

Racing Driver Bernard Santal of Ste. Maxime, France, fails to win over his baby daughter Sarah.

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London offices for Hermes and Coface

By David Dodwell

EUROPE's two most powerful nationally owned export credit agencies, Hermes of Germany and Coface of France, are poised to open offices in the city of London.

The primary role of both offices is in the short term to gather market information. The two insurers say the moves are linked with Britain's deep recession, which has made it essential to have the most accurate information possible on the creditworthiness of customers for German and French exporters.

But the moves will also be seen as a warning to the UK's two leading privately owned export credit insurers, Trade Indemnity, and the Dutch-controlled NCM, of increasing competition to come in Europe's most open insurance market.

Mr Richard Savage, appointed in March to head the Hermes office in London, said: "The main implication is of another reputable and strong credit insurer plying its wares in the UK. We have been trying to do this from a distance. We are saying we are in the market to stay, and our presence will grow."

The main initial role will be to gather information for existing (mainly German) clients. But from its current small base of UK clients, most of them multinationals with close links with German companies, the company aims to grow "selectively" as a domestic insurer. "We have been writing business in competition with others for several years. It is just that now we have decided we must have a better and more important presence," Mr Savage said.

Following the recent collapse of Svenskacredit in Sweden, Hermes has also established an insurer in Scandinavia. Coface is more powerfully motivated by anxiety over the plight of UK clients as they wrestle with domestic recession: "The aggregation of risk in UK companies is causing considerable concern," says Mrs Bridget Spreckley, who will head the new office, to open near St Paul's Cathedral.

She will be working with a risk analyst, mainly to provide French exporters with the most accurate credit information possible on UK buyers. "We are not desperately pessimistic about the UK, but just say we need to be well informed. When credit insurance becomes difficult, getting closer becomes vital," she added.

Coface has no immediate plans to compete for UK business, Mrs Spreckley said. "All we are doing is studying opportunities".

Private-sector competition to write export insurance has increased since January last year, following the purchase by Holland's NCM of the short-term export credit business of the government-controlled Export Credits Guarantee Department (ECGD). It is widely believed in the industry that by the end of the century, only four export credit insurers will exist in Europe. Coface, Hermes and NCM are expected to be competing hard to ensure they are among them.

Bouygues Singapore deal

By William Dawkins in Paris

BOUYGUES, the leading French construction group, yesterday reported a FFr1.6bn (£190m) contract to build a combined hotel, shopping and office centre in Singapore.

The contract was signed between Bouygues' subsidiary Dragages et Travaux Publics, and a joint venture of Pontiac Land, one of Singapore's largest property developers, with Kajima Overseas Asia, a Japanese construction company. Building will start next year and take about 30 months.

Dunkel's intervention is low-key affair

Gatt chief is aware of his limited influence on the US and EC, writes David Dodwell

IF Mr Jacques Delors, European Commission president, is seen by the US as a French farm lobby stooge, Mr Arthur Dunkel, Gatt director-general, is seen in France as a US stooge. That makes Mr Dunkel's mediation in the US-EC farm trade dispute, which took him to Brussels last week and to Washington yesterday, an especially cautious, low-key affair.

His meetings in Washington, with Mrs Carla Hills, US trade representative, and Mr Ed Madigan, US agriculture secretary, have been partly overtaken by resumption of US-EC negotiations aimed at reform of the EC's subsidised farm trade regime. Mr Madigan is due to meet Mr Ray MacSharry, his EC counterpart, in Washington tomorrow evening, the first time they have met since the Chicago talks collapsed on the eve of the US presidential election two weeks ago.

It will be necessary to wait until after the Madigan-MacSharry meetings to learn if the much-needed farm trade breakthrough can be won. But that does not render Mr Dunkel's intermediation irrelevant. His presence in Washington reminds US and EC farm negotiators that more is at stake than farm products trade. Mr Dunkel was mandated to travel to Brussels and Washington by the other 106 contracting parties to Gatt, all frustrated by US-EC intransigence on farm trade reform and alarmed continued deadlock will imperil the Uruguay Round.

Economists say these reforms could add \$200bn (£132bn) to world trade by the end of the decade. More immediately, they could provide a fillip to Europe's recession-ridden economies, as well as boosting export hopes for many third world exporters which continue to be barred from many industrial markets. Most important, they would avert a threatened US-EC trade war that would quickly embroil the rest of the world.

Mr Dunkel will try to set the stage for a rapid return by trade negotiators to Geneva if a US-EC breakthrough is achieved later this week. The return of negotiations into Gatt's multilateral context would first aim to win wider international support for any US-EC farm reform package agreed bilaterally.

It would then provide urgent impetus to wider negotiations on market access, trade in services and protection of intellectual property which have to be completed under extreme time pressure. Hardly any progress has been made here since Mr Dunkel's draft Uruguay round pact, the so-called "final act", was published last December.

Some have said Mr Dunkel received perfunctory attention in Brussels last week. His meeting lasted one hour. Observers said EC officials are not keen for him to be seen to have too much influence. Mrs Hills caught some of the same mood when she said on US TV: "He is going to implore us, having implored the EC, to try to get the Uruguay Round talks to move forward." Mr Dunkel is unlikely to be perturbed by such put-downs. He is aware of his limited influence, and has agreed to mediate only because of signs the EC and US want to settle their differences. He emerged from Brussels convinced the EC is "prepared to do a deal". Whether his confidence is justified or not, only meetings later this week will clarify.

IN their battle to keep Common Agriculture Policy subsidies, French farmers have had allies in farm groups around the world who believe as fervently that protection is needed to maintain their sectors, Nancy Dunne writes from Washington.

Farm groups in the US, Canada, Australia, Japan and Europe keep in close touch on Uruguay Round developments. Many applaud French farmers' resistance to farm trade liberalisation, believing each country must keep its own agriculture sector and the emphasis on exports by lowest-cost producers harms food supply and environment.

Much of the activity is co-ordinated by the Institute for Agriculture and Trade Policy in Minnesota. An official said farmers worldwide had the same interest "in creating a sustainable method of food production allowing for viable rural economies".

Zenchu, the Japanese farm organisation opposing opening the rice market, has representatives in Washington working with US and European farm groups. Most of the liaison with foreign farm groups is performed out of Tokyo.

Trade imbalance strains Mercosur pact

John Barham looks at the motives behind Argentina's tax on Brazilian imports

BRAZIL'S economic and political problems, coupled with Argentina's trade deficit, are straining the foundations of the Mercosur trade agreement.

Under the 1991 treaty creating Mercosur, the trade bloc linking Argentina, Brazil, Paraguay and Uruguay, trade barriers must fall by the end of 1994. But in October, alarmed by the growth of Brazilian imports, Argentina trebled to 10 per cent a tax on nearly all imports. The tax was targeted at imports from Brazil, which were rising by between 5 and 6 per cent a month.

Argentina forecasts a trade deficit of \$1.2bn-\$1.4bn this year, its first since 1981, and blames most of the troubles on artificially cheap Brazilian goods.

Under the Mercosur treaty, tariffs should fall by 7 percentage points every six months until they disappear by 1995. Argentina insists its tax does not count as a tariff and thus can be applied to imports from Mercosur countries. Mr Domingo Cavallo, Argentina's economy minister, insists that the tax is only a temporary measure.

However, his claim that Brazilian imports constituted an "external shock" sound disingenuous. Although Brazilian imports have almost doubled from \$1.52bn in 1991, Argentina's exports to Brazil remain largely unchanged from \$1.49bn last year. The resulting deficit is equivalent to less than one percentage point of GDP.

Furthermore, half the deficit is due to car imports. Under bilateral protocols, trade in cars should be balanced. But Argentina's three manufacturers cannot meet strong local demand, let alone extra cars for the Brazilian market.

It is true that recession-bound Brazilian companies are selling at almost any price. But Argentina's overheated economy and overvalued exchange rate are sucking in imports from all over the world. An Argentine foreign ministry official pointed out: "Argentina's trade deficit with the US this year will be about \$1.3bn – roughly the same as with Brazil, but nobody is getting upset about imports from the US. In fact, imports from Brazil began slowing in August and September."

Privately, officials say they had to take action to avoid domestic political fall-out over the deficit, hinting that discrimination against Brazil was an obvious solution.

Still, Argentine companies say the Brazilians have already absorbed the effect of the 10 per cent import tax and imports are growing unabated. Those trying to export to Brazil complain that inflation of over 25 per cent a month makes it difficult to price their goods.

The spirit of the Mercosur treaty encourages countries to both expand and balance trade. Brazil's foreign minister, Mr Fernando Henrique Cardoso, has promised to increase purchases of oil, wheat and flour, Argentina's main export products, to reduce the gap.

Bickering over trade is a sideshow compared to more serious objections to Mercosur. Many Argentines say they should not have to wait, possibly for years, for Brazil to stabilise and should seek trade alliances elsewhere.

Furthermore, opponents argue that integration between inherently unstable developing countries is conceptually flawed, and suggest Argentina should join the North American Free Trade Agreement as quickly as possible.

Perhaps the most convincing objection is that Brazil's crises could destabilise Argentina's fragile economy. Mr Cavallo says he has not lost his "political enthusiasm" for integration, but has warned that he will only wait another year before deciding what action to take over Mercosur.

However, supporters of integration say it is wrong to sacrifice Mercosur - which is also a political and strategic alliance between former rivals - because of short term trade difficulties.

Mr Felix Pena, a former Argentine Mercosur negotiator, accepts that Brazil's problems may prompt a review of the timetable. But he says Argentina cannot ignore Brazil's market of 150m potential consumers or forgo access to a resilient economy that has historically grown very fast.

In fact, Mr Pena, believes that once Brazil returns to growth, Argentina will not be able to satisfy Brazilian demand for food and agricultural products.

Furthermore, it would be difficult to undo the links between companies which have been multiplying rapidly in sectors ranging from beer to insurance and services. Last month, Argentina sold Somisa, a state-owned steel mill to a consortium including two Brazilian companies. And without access to Brazil, many multinationals would either close affiliates in Argentina or freeze expansion. The Brazilian connection is vital for several proposed infrastructure projects. These include a \$8bn gas pipeline linking Argentina and Brazil, which could be vital to develop Argentina's huge natural gas reserves.

A Argentine steel executive summed up the spirit of Mercosur: "You can count on the fingers of one hand the days when Brazil and Argentina have stabilised simultaneously. That's how we trade – one day we export to them and one day they export to us."

Lloyd's in Russian insurance scheme

By Richard Lapper

UNDERWRITERS at Lloyd's of London are backing a new billion-dollar insurance scheme aimed at boosting foreign investment in Russia. The Russian Investment Insurance Programme, launched yesterday, covers investment risks from property expropriation to blocks on dividend repatriation, and should ease a shortage of political risk insurance for foreign investors.

The scheme was developed by the European Investment Guarantee Agency (EIGA), a London-based political risk and trade credit insurance consultancy, with the Russian Agency for International Co-operation and Development, a government body for investment promotion.

The European Commission and the Russian government have been closely involved in the scheme which should boost available international capacity by \$1bn (£600m) from the present \$3bn-\$5bn. One recent estimate shows international investors seeking cover for projects worth up to \$40bn.

Mr Robert Lyle of EIGA expects companies investing in Russian port renovation, hotels, the conversion of weapons and munitions factories and mining projects to be among the first customers. Premiums would average 1.5-2.5 per cent of the value of an investment, with the sum insured related to the amount of capital exposed.

The rate is only slightly dearer than charged by government-owned agencies, such as the UK's Export Credits Guarantee Department, and cheaper than other private market rates, Mr Lyle says. Maximum exposure which can be insured for any one investor is normally \$75m, rising to \$150m for any one project.

Policies will be written for three years and are renewable annually. Trade credit insurance is separately available up to \$10m per risk. Lloyd's underwriters specialising in political risk will lead policies, with 30-40 of the market's 250-plus syndicates taking part.

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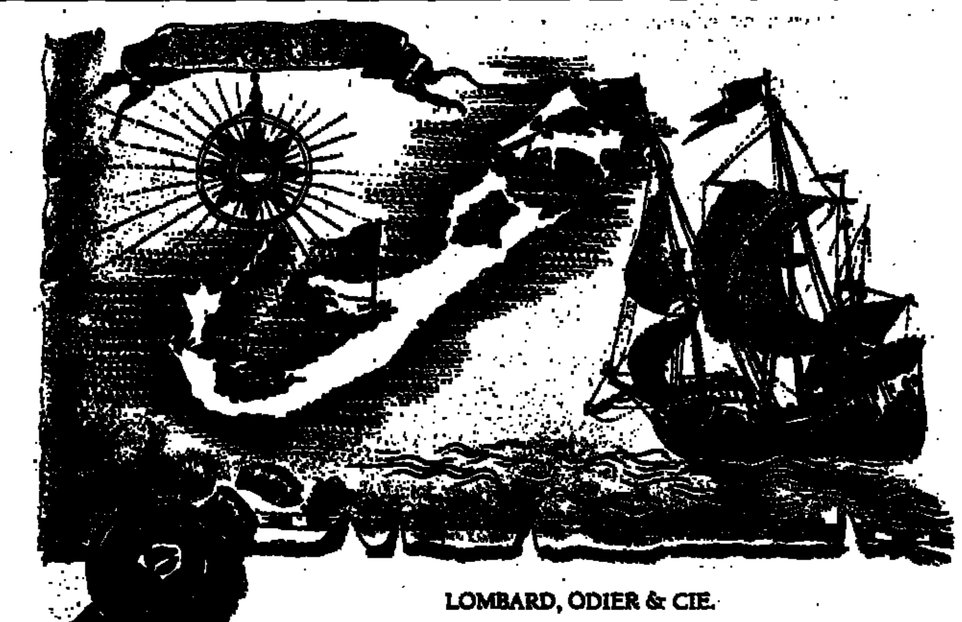

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Major emphasises UK growth as top priority

By Philip Stephens and Peter Norman

MR JOHN MAJOR last night urged business leaders to restrain boardroom pay awards as he pledged that a commitment to build up Britain's manufacturing base was now central tothe government's revamped economic strategy.

In his annual speech to the Lord Mayor's Banquet at Guildhall, the prime minister said that last week's Autumn Statement had demonstrated that a "commitment to industry is right at the heart of our policies"

His speech came as Mr Norman Lamont told MPs that last week's special measures to help the economy, combined with recent falls in interest rates and sterling, would be "good for jobs, employment and growth".

Their comments coincided also with a new report from the Confederation of British Industry suggesting that a modest improvement in retail sales petered out last month, as uncertainty about the economy continued to undermine consumer confidence.

Mr Major used his traditional broad-ranging review of the domestic and overseas scene to underline again his dermination to push for a speedy agreement in the Uruguay Round of of the General Agreement on Tariffs and Trade.

In what Downing Street confirmed was an implicit sideswipe at the French government, he warned that the deteriorating world economic outlook meant that Europe had to resist a "dangerously strong" instinct: "to look inwards, put up the shutters and slam the door on the free trade that has brought prosperity to the postwar world".

The prime minister added that a Gatt accord was not only "an economic necessity" for the West but also a "moral imperative" because of the opportunity it would provide for the developing nations to "earn their way to prosperity".

In an assessment of the domestic economic outlook which reflected the government's determination to "talk up" the confidence of industry and consumers, Mr Major said that cuts in interest rates since 1990 had saved industry £10bn.

In parallel, sterling's departure from the European exchange rate mechanism had left an exchange rate which was "fiercely competitive", providing companies with an edge over overseas rivals in both domestic and foreign markets.

Stressing the focus on help for manufacturing, he said: "I do not regard manufacturing industry as a marginal add-on optional extra – it is fundamental to our future prosperity."

Mr Major – who said that he was "sick and tired" of hearing people "talk down" Britain's achievements – added it was now up to business to capitalise on the advantages.

But he warned also that government would not allow the gains provided by the pound's devaluation to be frittered away in higher inflation: "Our commitment to maintain low inflation remains as strong as ever".

The government, he added, had set an example by restricting public sector pay awards to a maximum of 1.5 per cent. He acknowledged that it could not dictate the level of awards in the private sector but added: "It would be wrong of me not to use this gathering tonight to say very frankly that costs must be controlled everywhere, not just on the shop floor but in the boardroom too. We have set a lead in the public sector. I hope we will see that mirrored in the private sector".

BRITAIN'S banks and building societies were under pressure last night from the government to pass on help revive the economy by passing on the whole of last week's base rate cut to mortgage holders and small businesses.

Mr Norman Lamont, the chancellor of the exchequer, said he would ask the Bank of England to examine allegations that banks were not fully passing on rate cuts to customers. He was speaking after pressing building societies to cut mortage rates further at a meeting yesterday morning. The chancellor told the Commons Treasury and Civil Service Committee he would also ask the the clearing banks about their policy after complaints about high bank interest rates had increased in recent weeks.

Barclays and National Westminster, the two largest lenders to small businesses, yesterday conceded that the margin between the base rate and the average lending rate they charge small businesses has risen over the past 18 months. The banks say the higher rates reflect the increased risk of lending in the recession.

Lord Alexander, National Westminster Bank chairman, responded to the criticism. He said the bank had passed on to business customers the full benefits of the base rate cuts immediately.

Ministers plan fresh talks on Ulster

By Tim Coone, Dublin

THE British and Irish governments yesterday agreed to try to restart the stalled political talks on the future of Northern Ireland.

The talks, involving both governments and the four main political parties in the province, broke up last week without agreement and no clear commitment to renew dialogue.

The negotiators had sought an agreement on a new devolved administration in Northern Ireland, and a replacement of the 1985 Anglo-Irish agreement on security in the province.

Yesterday, at a meeting in Dublin, both governments agreed "that the objectives of the talks process are both valid and achievable".

However, Mr David Andrews, the Irish foreign minister, admitted that there has been no bilateral meeting between the Irish government and the hard-line Democratic Unionist Party led by the Rev Ian Paisley. "The value of any future talks would be greatly diminished without such a meeting" he said.

Yesterday's meeting, on the seventh anniversary of the signing of the 1985 Anglo-Irish agreement, was the first bilateral meeting under the agreement since April, when regular meetings were adjourned to allow the inter-party talks to take place.

The unionist parties oppose the 1985 agreement because of the role it gives to the Republic in Northern Ireland's affairs, and refuse to participate in talks while the intergovernmental meetings continue.

Labour claims MPs misled on Iraq

By Ralph Atkins and David Owen

Rising to the challenge: Opposition spokesman Robin Cook demanding government explanations

MR ROBIN Cook, the opposition Labour party's trade and industry spokesman, sought yesterday keep maximum pressure on Mr John Major over the arms-to-Iraq affair with a fresh compilation of documents that he said showed the prime minister had repeatedly mislead MPs.

Continuing Labour's tactic of seeking the best impact possible by selectively releasing documents, Mr Cook said that his "charge sheet" against Mr Major proved, "beyond reasonable doubt" that he must have known he was misleading MPs.

He admitted he did not have proof that Mr Major had read papers sent to him when he was either foreign secretary, chancellor or prime minister, but said it was "inconceivable" that the prime minister would not have had his attention drawn by civil servants to relevant information.

Labour is determined to build momentum behind the political row at Westminster over the affair, even if – as yesterday – the extent to which it is increasing the information in the public domain is only incremental at best. One Cabinet minister admited that the effectiveness with which the opposition party was carrying out its harrying of the government was "impeccable".

Fresh Labour attacks could come from Mr John Smith, party leader, at prime minister's questions today and in a Labour initiated Commons debate on Monday.

Mr George Foulkes, a Labour defence spokesman, plans to publish a list of companies which, he claims, breached export guidelines – with tacit government approval.

Asked how many more documents he could release, Mr Cook replied: "I have 464 documents. As to when we release them is a different matter."

Mr Cook's case against the prime minister is based on assurances from Mr Major in the Commons and in a letter to Mr Paddy Ashdown, Liberal Democrat leader, that the arms embargo against Iraq had been kept. Mr Cook said that in fact, "ministers first relaxed and then ignored those guidelines."

Supergun to feature in arms inquiry

By Richard Donkin, Jimmy Burns and Neil Buckley

THE widening of the terms of reference for the arms-to-Iraq inquiry to include the supergun project and other dual-use sales opens up a pandora's box on the key question of who knew what and when.

It will examine the extent of the involvement of UK companies in supplying equipment for Project Babylon, Saddam Hussein's supergun project to produce several giant guns in the late 1980s theoretically capable of delivering short-range nuclear or chemical warheads.

It follows a two-year investigation into the Supergun affair by a House of Commons select committee in March this year which blamed inadequate procedures and misjudgments by officials rather than ministers for failing to prevent the manufacture and export of supergun components by British companies.

Government critics claim officials knew export licences granted to two UK companies supplying steel tubes for an Iraqi petrochemcial project were really intended for the supergun.

Opposition Labour MP's led by Mr Gordon Brown, the then shadow trade and industry spokesman accused the Government of a whitewash in the supergun affair after the Ministry of Defence (MoD) refused permission for several officials to give evidence.

The unanswered allegations include claims that from June 1988 Dr Gerald Bull, the gun's designer kept the UK intelligence services fully informed about the project.

A key area of the Scott enquiry covering the supergun case will also be the depth of liaison between the Department of Trade and Industry and the MoD, given the growing knowledge about Iraqi procurement.

Investigators examining the extent of government knowledge about secret projects in Iraq will want to know when exactly the intelligence services discovered about the Iraqi Supergun programme.

The services were certainly aware of a project Babylon in mid 1989 when Mr Paul Henderson, the former managing director of Matrix Churchill recall's being asked by an intelligence officer if he knew about the project.

Lautro official threatens to quit over proposed reforms

By Norma Cohen, Investments Correspondent

A TOP official at the self-regulatory body for the life insurance industry yesterday warned she would resign rather than work for the Personal Investment Authority which is to replace it.

Ms Julia Leisching, chief policy and administration officer at Lautro, said the new body will not take sufficient account of consumer interests.

In a letter to Mr Kit Jebbens, Lautro's chief executive, she said: "I can have no belief in or commitment to the goals of the PIA." Ms Leisching, who joined Lautro in 1988 from the Department of Trade and Industry's Insovency Service, offered to resign in the letter.

Ms Leisching, explaining her move, said: "I feel in the context of PIA that there is a grave risk that what should be the main agenda item, investor protection, is being marginalised by the interests of the various industry groups."

The PIA has been proposed as a self-regulatory body which would incorporate members of Lautro as well as two other self-regulatory bodies; Fimbra, which groups independent financial advisers, and some members of Imro, the fund-managers' body.

Debate about the PIA has so far centred on how it should be structured to ensure all those it is designed to regulate actually join it.

Insurance industry members of Lautro are insisting the PIA should also regulate the financial services arms of banks and building societies.

Ms Leisching also said she believed the creation of the PIA had been forced by the inability of members of Fimbra to pay for the cost of policing themselves adequately or to pay for their share of claims against the Investors Compensation Scheme.

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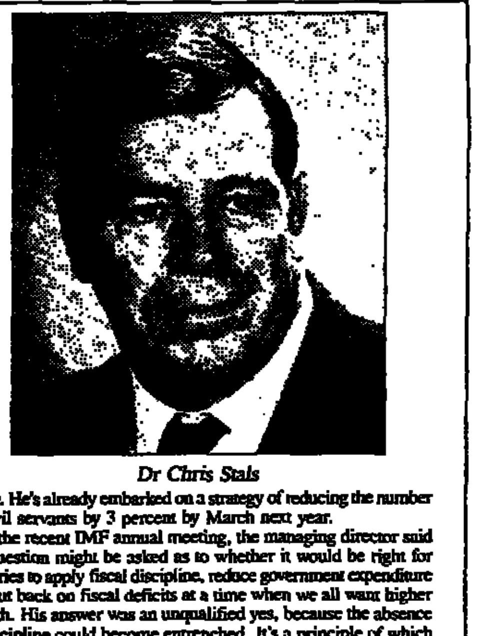
FT SURVEYS

THE CHALLENGE OF THE NEW SOUTH AFRICA

South Africa is exporting skills, technology and experience to Africa

Dr Chris Stals, Governor of the South African Reserve Bank, talks to John Spira, Finance Editor of Johannesburg's Sunday Star.



Dr Chris Stals

Spira: What is the outlook for economic growth in South Africa in the year ahead?

Stals: Next year should be better than this year, based largely on the assumption that we have a normal rainfall season, which would increase economic growth from this year's negative 1 to 2 percent to positive growth of the order of 2 percent. Without a repetition of last summer's severe drought, the economy's performance will obviously improve.

Additionally, solely as a result of cyclical factors, the downward trend in the economy, which is perhaps moving sideways rather than down, should soon start bottoming out.

A significant negative influence is the world economy. Last year saw widespread expectations of higher global growth rates. The result was bitter disappointment. Now, once again, we see predictions of better growth next year. However, in the light of what's been happening recently in the financial and currency markets, I suspect the optimists might once again be proved wrong.

The world is going through a major financial adjustment whereby balance sheets — of private individuals, corporates and governments — are being restructured to solve a common problem of excessive debt. With relatively high interest rates and declining asset values, they all feel need for balance sheet consolidation, which means any income they earn goes towards consolidating their balance sheets and reducing their debt, rather than spending on goods and services.

That's why real economies in so many countries remain depressed. That's why it's so difficult to make any optimistic assumptions regarding the prospects for world economic growth. And it's one contributing reason why South Africa's economic growth potential is muted.

Exacerbating the uninspiring outlook for the South African economy is the political situation, to which there's bound to be a solution sooner or later. But the way things are developing at present, it looks like being later rather than sooner — which must also influence projections for the economy for next year.

Given this background, the outlook for 1993 economic growth is nothing about which one can get excited. There'll be growth, but not of the magnitude that will really solve our basic problem — that of declining real per capita incomes.

Spira: What do you feel about the kick start scenarios being advocated in many quarters?

Stals: An export kick start, which would get the South African economy going very nicely, must unfortunately, be ruled out for the near future because of the world economic situation.

I'm not impressed with the argument for kick starting the economy via huge spending on mass housing and other social upliftment projects. It doesn't help to give a man a house in which to live without him having a job to go with it. Simply put, he must be able to afford the house.

I don't deny that housing and social upliftment programmes are desirable; but in the final analysis they must be based on a higher real economic growth rate that will create more employment opportunities. Building more houses doesn't create additional sustainable long term scope for job creation. The most important priority has to be higher economic growth, especially in the private sector.

A further disadvantage of the mass housing kick start approach is that it would have no multiplier effect if people have no confidence in the future. What the nation really needs is new investments which increase the country's productive capacity.

Then, too, from where will the money for the kick start come? It won't be forthcoming as long as national income remains low and everyone's intent on consolidating their balance sheets.

The kick start idea doesn't work if you have a generally depressed and pessimistic business mood. And in South Africa we have political uncertainties and a lack of confidence among investors and consumers.

Social upliftment programmes are worthy projects, but before they can be embarked upon, you first need broad economic growth to employ more people and generate more income, thereby generating the tax revenue necessary for the government to finance the kick start.

Spira: What is the potential for South Africa to attract finance from the IMF and The World Bank to help boost economic growth?

Stals: Loans from the IMF may be used only for balance of payments purposes and not for domestic expenditure projects.

At this stage South Africa doesn't qualify for IMF loans, because it doesn't have a balance of payments need. Should, however, we pursue more expansionary policies, the balance of payments may soon turn into deficit.

Our balance of payments situation has been looking good for the past four years, though this is only a reflection of the depressed domestic economy. If, however, there's a substantial increase in economic activity, and especially in domestic fixed investment, imports will rise sharply.

In previous upward phases of the business cycle, imports have increased by 30 percent in a single year. If we had a 30 percent increase in one year now, the surplus on the current account, along with our foreign reserves, would be wiped out in a relatively short space of time.

All of which means that South Africa will need the IMF once its economy gets going again. I'm confident that the IMF funding will be available when we need it, because the economy won't have become buoyant until we make further progress in solving our political problems. And it is only once we've solved our political problems, when it will become easier for us to gain access to the IMF backstop facilities.

World Bank investment money is something different, being finance that can be used for development projects. But the World Bank is reluctant to come to South Africa in the present uncertain political situation. The Bank has made it clear that it won't come here before we have consensus among the major political groups and consensus on economic policy.

The World Bank has said it would take about two years to complete its feasibility studies on South Africa. It's been here a year now, giving it another year. We look forward to the day it comes (it will help us a lot) but it is unlikely to come with large-scale investments in the next six months. So, again, we must be modest in our expectations for what the economy will do next year.

Spira: What's the outlook for inflation and interest rates?

Stals: We have a wonderful opportunity to bring inflation down; it would be a pity if we didn't use it. In the current depressed economic climate, prices should stop rising at 15 percent a year and wages should stop increasing at rates far in excess of the rate of inflation.

I believe the chances are really good that the rate of inflation will come down, though I don't think we'll get it down to zero in the next two years. On a purely technical basis, the rate of inflation will fall meaningfully in the next four months or so.

Even if food prices (pushed up dramatically in recent months because of the drought) stay at high levels, they can't go on rising at 30 percent a year.

A lower rate of inflation should have some impact on interest rates. But having said that, interest rate movements can't be linked solely to inflation. Our interest rates are also dependent on the level of interest rates in the rest of the world. And interest rates throughout the world are high.

We may not like it, but to be out of line with the rest of the world can be dangerous. It could oblige us to impose more exchange controls — a move we'd be most unwilling to make.

We're determined to keep interest rates real, giving us little scope to reduce interest rates much further without a decline in the rate of inflation.

Spira: Do you envisage a sharp drop in inflation in the next few months following three years of severely restrictionist monetary policy?

Stals: I don't believe we've pursued a severely restrictionist monetary policy. Money supply is now increasing at between 7 and 10 percent — hardly restrictive when the economy isn't growing at all and at a time when the amount of goods and services produced in the country is declining. I would rather describe our policy as neutral.

So, although our monetary policy has been more restrictive than it was three to four years ago, it's still not contractionary. It hasn't been restrictive enough to bring inflation down to the low levels we'd have liked.

Significantly, our policy hasn't been supported by fiscal restraint, nor by a salaries and wages policy, so inflation has been slow to come down. Our strategy has nevertheless succeeded in ensuring that inflation hasn't gone up and that underlying inflationary pressures have reduced, with the result that we should feel satisfied with what we're achieving.

Some might say that a negative spinoff of the anti-inflationary policy is high levels of unemployment. Sure, the social costs of fighting inflation are high, particularly in the short term; but in the long run they're much higher if inflation isn't beaten.

Spira: Will fiscal policy tighten up soon, or not until the economy turns around?

Stals: The Minister of Finance is determined to do something in next year's Budget, so I think we will see some tightening of fiscal policy. He's already embarked on a strategy of reducing the number of civil servants by 3 percent by March next year.

At the recent IMF annual meeting, the managing director said the question might be asked as to whether it would be right for countries to apply fiscal discipline, reduce government expenditure and cut back on fiscal deficits at a time when we all want higher growth. His answer was an unqualified yes, because the absence of discipline could become entrenched. It's a principle of which South Africa should take heed.

Spira: You've regularly spoken of the need for a high level of cooperation between labour, business and the government. Has there been progress?

Stals: I believe that the Economic Forum would be the right place for this to be achieved. But the Economic Forum hasn't yet got off the ground. Everything in South Africa is so politicised, making it difficult to get constructive initiatives going.

Ultimately, of course, adverse economic conditions force this type of cooperation, because, as high unemployment continues trade unions can't go on demanding higher wages; nor can corporates go on increasing prices. And government must also apply disciplines, since in a depressed economy it can't keep on increasing the Budget deficit.

Active cooperation through negotiation is preferable to achieving the desired result through economic hardship; but if the former isn't forthcoming, then the latter must take its course. It's perhaps idealistic to think you can bring all the concerned parties together without going through hardship. It should be possible, but given South Africa's present political situation it's extremely difficult.

Spira: Should an economic solution precede a political solution?

Stals: As an economist I say you must get the economy right irrespective of the political situation. But you can't extricate the economy from politics — especially at this stage of the country's evolution. Yet that doesn't mean one shouldn't try.

As far as I'm concerned, we should use the present economic recession to stabilise the balance of payments and the internal financial situation. At least there we can show some progress. This implies that once the political problems have been solved and the economy improves again we'll have a sound financial basis on which to build a new expansionary phase.

Spira: Have South Africa's relationship with the rest of Africa continued to improve?

Stals: Yes. But we have a depressed economy and Africa has serious economic problems, so the continent's countries can't do much to help one another.

A major problem is the high expectations in many African countries that South Africa is in a position to help them. Such expectations are largely unrealistic, especially when it comes to financial assistance. South Africa can't afford to make large financial investments in other African countries; it can't afford to be a capital exporting country.

However, in terms of skills, technology and experience, we can do (and are doing) a lot. I believe South Africa will play an important role in other African countries, but more through skills, management and technical assistance than via the provision of capital.

I'm not enthusiastic about vast new common markets in Africa. There's too great a divergence between the stages of development of the various countries, making it impossible to integrate the economies and placing a huge burden on the more advanced nations.

Yet this doesn't mean there isn't scope for bilateral cooperation, in which area many things will happen in the next few years.

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NEWS: UK

Steel industry complains at Italian bids

By Andrew Taylor, Construction Correspondent

CONTRACTORS in the UK steel industry have asked the government to intervene amid fears that up to 3,000 British jobs could be lost if contracts worth £30m are awarded to two Italian companies.

The steel fabricators, which have complained to Mr Michael Heseltine, trade and industry secretary, about unfair competition, claim the contracts include steelwork for the £300m privately financed toll bridge across the River Severn between England and Wales.

Cimolai, an Italian fabricator which has worked in Britain since the early 1980s, has submitted the lowest tender for the Severn Crossing, according to British Constructional Steelwork Association.

It also claims Beghini Steel UK, a subsidiary of the Verona-based company, has submitted the lowest bids for steelwork on a viaduct across the M6 motorway and a separate contract for bridges across the M3 motorway extension.

It says the contracts would provide 3,000 jobs for UK fabricators the work stayed in Britain.

Mr Allan Collins, the association's president, said in a letter to Mr Heseltine: "This is a very serious undermining of the policy to stimulate UK construction activity."

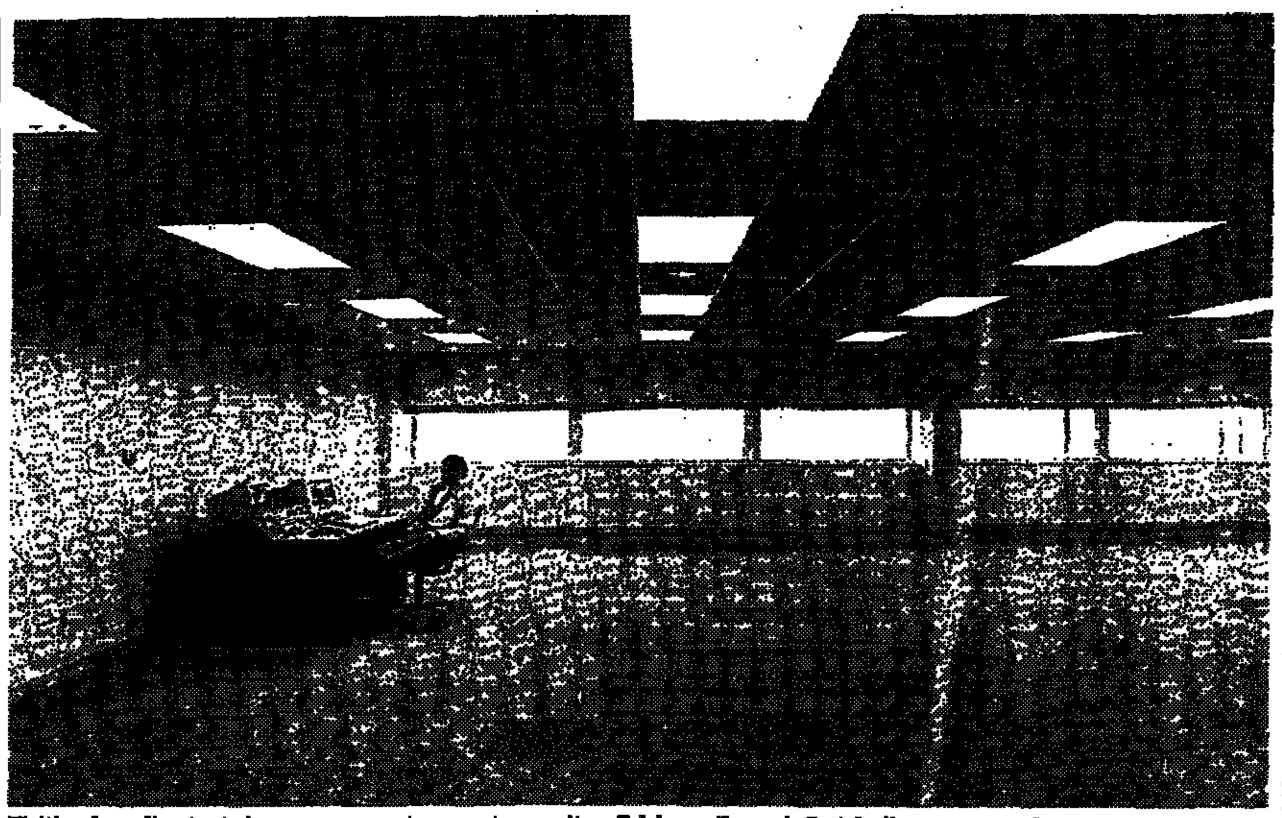
The letter asks the minister to call an immediate meeting with contractors involved in the bridge-building programme to discuss cut-price tenders from overseas suppliers.

It adds: "We, as an industry, are being battered to death yet we are without doubt the most efficient producer of fabricated steelwork in Europe. This begs the question of how the Italians are getting in with prices up to 20 per cent below our own suppliers."

Dr Derek Tordoff, the association's director said yesterday: "We believe that many Italian fabricators receive hidden subsidies and that they have been targetting Britain and other international markets in order to make up for a decline in Italian construction activity."

More than 100 UK steel fabrication companies have ceased trading or gone into receivership since 1989, he added. Numbers employed have fallen by 40,000 to 60,000.

The recession in construction is expected to have cost more than 1,000 jobs this year in the brick industry. Figures published by the Brick Development Association estimates the industry's workforce will have fallen by 37 per cent from a peak of 14,000 in December 1988 to 8,800 by the end of this year. Manufacturers expect further job losses and plant closures with capacity continuing to outstrip demand.



Waiting for a disaster to happen: a computer operator monitors Telehouse Europe's first dealing-room console

Companies learn to deal with disaster

By Bethan Hutton

INCREASED fears of bomb scares and disruption in London's financial district has prompted at least two companies to launch emergency dealing-room facilities on the fringe of the City.

The opening of the first room follows a foiled attempt to plant a bomb at Canary Wharf, the east London office complex, at the weekend.

In that incident, offices were evacuated while bomb disposal officers defused a device left in a van beside the Canada Tower, the largest building in the development.

Banks and insurance companies can face huge losses if their dealers are cut off from their desks for any reason – a security alert, explosions, gas leaks or any number of other emergencies. Fully-equipped standby dealing rooms, a new development in the UK disaster recovery industry, will allow dealers to be back in business within minutes.

Telehouse, an Anglo-Japanese telecommunications and computer joint venture, set up one of London's first emergency dealing-rooms following surveys which showed that dealers had been prevented from dealing for an hour or more at 27 per cent of the institutions questioned.

Only 43 per cent of companies had a dealing room disaster recovery plan, although 84 per cent had contingency plans for computer breakdown.

Telehouse estimates demand for emergency dealing rooms could be worth up to £14m a year, and says interest has doubled since the bombing of the Baltic Exchange in April this year. It is offering up to 30 dealing positions, plus 50 back office desks, at its headquarters in London's Docklands.

DSL, the software and communications consultancy, is to offer a similar service for up to 80 dealing and settlement positions at its Southwark office.

Subscription will be on a "club" basis - companies with similar requirements will form a group with up to 10 members subscribing to the same dealing desks.

Britain in brief

Tough new N-processing rules planned

Pollution authorities have proposed tough new standards for British Nuclear Fuels' new waste processing plant at Sellafield in Cumbria, north-west England.

But while they said these would result in significantly lower discharges of harmful materials, the proposals did not include a requirement to install control equipment on krypton-85, a controversial radioactive gas. The new standards could also leave room for an increase in discharges from current levels.

The Pollution Inspectorate's proposals are contained in a draft authorisation for the Sellafield site, including the Thermal Oxide Reprocessing Plant (Thorp), a new £1.85bn facility designed to process fuel from pressurised water reactors.

There will be an eight-week consultation period, after which a final authorisation will be drawn up.

Scots water investment

The government will today set out its options for bringing private sector capital into the Scottish water and sewerage industry. Although the options are likely to include privatisation by means of a stock market flotation, several other possibilities are to be advanced.

The future of the Scottish industry is a potential source of trouble for the government – it was not privatised when English companies were sold off in 1989. Services are run by regional and island councils.

Unions hire lobby group

The Trades Union Congress has for the first time hired a political lobbying group, Connect Public Affairs, to lead its lobbying effort of Conservative MPs over the employment bill.

The lobbying effort will tackle the decision to abolish wages councils, new rules on the collection of union subscriptions and the abolition of the agreement which regulates inter-union disputes.

Hospital study

London University is to commission an urgent independent financial study into the costs of proposals to rationalise the capital's hospitals.

The university, responsible for the training of many of Britain's medical students, says it takes a positive view of aspects of Sir Bernard Tomlinson's report on London healthcare but is "deeply concerned" at the lack of adequate financial analysis. Under the proposals some of the capital's best-known hospitals – including St Bartholomew's, Charing Cross, the Middlesex, Guy's and St Thomas' – would close or amalgamate.

Britons cut UK holidays

Britons with higher incomes are cutting back on UK holidays to continue taking trips abroad, the English Tourist Board said yesterday.

Weekend breaks in the UK were down between 5 per cent and 10 per cent in the first eight months of this year. The more expensive self-catering holidays suffered a similar fall.

"The higher income groups tend to take more than one holiday a year and the greater proportion take their main holiday overseas. English holidays account for the greater proportion of second holidays. Now that the recession has hit, people are holding on to their overseas holiday," said Mr Mike Richardson, ETB marketing director.

Wales wins literary boost

An £8m national literature centre is to be built in Swansea, Wales, as the focal point for its role as Britain's literature city in 1995. A £7m lending library for the city is to be added as the second phase of the project.

Swansea is one of five centres chosen by the Arts Council as focal points for the arts. Birmingham is the city of music this year and will be succeeded by the east Midlands region next year when the focus will be on dance. Manchester will be the centre of drama in 1994 and northern England in 1996 will host the visual arts.

BR sell-off faces delay

The Department of Transport admitted for the first time that the proposed privatisation of British Rail, the national rail network, was in danger of delay.

Some people in the department believe the bill may not be published until February. That would mean it would almost certainly not receive final parliamentary approval until next October or November.

The setback has been caused by the postponement of debate on legislation already before parliament paving the way for privatisation of British Rail and British Coal. The paving legislation would allow the two organisations to prepare for being sold, for example by appointing advisers.

Iveco Ford Truck wins £58m boost

FORD of the US and Fiat of Italy are pumping another £58m into Iveco Ford Truck, their joint commercial vehicle-making subsidiary in the UK, to help cover losses and maintain investment by the Langley, Berkshire-based company, writes John Griffiths.

The additional funding, agreed at an extraordinary general meeting a few days ago, will bring to £95m the total amount of extra cash injected into Iveco Ford Truck within the past 12 months.

The company made a net loss of £38.6m last year and has already indicated that there will be a further loss for the current year. The extra cash will take the form of increased share capital.

Meanwhile, Langley, where the workforce will fall from 730 at the end of 1991 to an expected 510 by the end of this year, is preparing to halt production for more than five weeks over Christmas.

Demand rises for new central London offices

By Vanessa Houlder, Property Correspondent

THE availability of Central London office space has declined significantly for the first time in five years, according to a report by Debenham Tewson Research, chartered surveyors.

Office supply and demand is closer to balance than at any time since Autumn 1987, when the impact of the construction boom had still to be felt. This reversal of a trend is largely due to increased demand for new, centrally located offices by the financial sector.

The amount of office space in Central London that can be occupied immediately or within the next six months fell from 34.3m sq ft to 33.5m sq ft in the third quarter of 1992. This is due to a 27 per cent rise in the take-up of space, from 2.6m sq ft to 3.3m sq ft, and a 6 per cent fall in the space coming on to the market, from 4.5m sq ft to 4.2m sq ft.

The figures show a sharp divergence in the performance of new and second-hand offices. Just over half the take-up was of newly-built space, whereas almost four-fifths of the space coming on to the market was second-hand.

The gap has widened between the performance of the fringes and the core areas of London, namely the City, Mid Town and the West End. Availability in the central locations fell 4 per cent from 25.3m sq ft to 24.3m sq ft while take-up rose by nearly 40 per cent.

In the fringes, by contrast, availability rose marginally, take-up fell by more than a fifth and the space coming on to the market almost doubled over the quarter.

Tenders sought for light railway

By Paul Cheeseright

FOUR private sector consortia, including overseas groups, have been invited to tender for a £100m contract to design, build and operate a light rail transport system in Birmingham and central England.

The tender has been called by Centro, operating arm of the West Midlands Passenger Transport Authority. It is part of a renewed effort to persuade the government to provide funding for a project which, it is argued, fits into its policy of encouraging private and public sector partnerships in infrastructure development.

Centro suspended its tendering process last June when the government said there would be no funding available to start construction in April 1993. Centro officials believe a fresh opportunity to start the project, called Midland Metro, arose after last week's Autumn Statement. Mr Norman Lamont, chancellor of the exchequer, said then the government would "actively encourage joint ventures with the private sector, where these involve a sensible transfer of risk to the private sector".

The four consortia are: a joint venture between Balfour Beatty and Siemens; Centram, made up of Taylor Woodrow and Ansaldo Transporti; a joint venture between John Mowlem and GEC Alsthom Transportation; Eurotransit, made up of Norwest Holst, Tilbury Douglas and AEG Westinghouse Transport Systeme.

Government urged to back Brussels subsidy for HDTV

THE British Radio and Electronic Equipment Manufacturers' Association has urged Mr Edward Leigh, technology minister, to reconsider his opposition to the European Commission's proposed ECU 850m subsidy to television broadcasters, writes Michiyo Nakamoto.

The association has written to Mr Leigh asking him to support the Commission's plan to help fund broadcasters' transition to high definition TV production.

Mr Leigh expressed strong opposition to the subsidy plan at a meeting of Telecommunications Ministers this summer.

The letter was timed ahead of a Telecommunications Council meeting this Thursday, at which a unanimous vote of approval is needed to keep the subsidy plan on course. If the UK votes against the subsidy on Thursday, it could derail Europe's HDTV programme.

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PEOPLE

Nuclear link for McAlpine family company

Sir Christopher Harding (right), chairman of BET, has joined the board of Newarthill, which controls the privately-owned construction business of Sir Robert McAlpine and Sons, re-establishing a connection which goes back to the days when he was chairman of British Nuclear Fuels.

Sir Christopher, 53, says he had known the late Lord McAlpine of Moffat, a grandson of the founder and a leading figure in Britain's post-war nuclear power industry, for many years. He says his professional colleagues at BNFL had always had the highest regard for the quality of the company's nuclear power construction work.

Newarthill, named after the Scottish birthplace of founder Sir Robert McAlpine, is the bigger, but more private, of the two construction companies connected with the McAlpine family. The family ownership of the Cheshire-based Alfred McAlpine is now down to 20 per cent and with last year's retirement of Bobby McAlpine from its chairmanship, the management of Alfred McAlpine has been largely transferred into the hands of outside professionals.

However, Newarthill, which took itself private in 1989, is still controlled by the Southern end of the McAlpine family whose best-known member is Lord McAlpine of West Green, one of Lady Thatcher's closest advisers and an important Tory party fund-raiser. Sir John Hedley Greenborough, 70,

a former senior Shell executive, has been chairman since 1980, but with the death of Sir Robert Fairbairn, a former chairman of Clydesdale Bank, and Sir Norman Elliott, a former chairman of the Electricity Council, the rest of the board is made up of increasingly elderly family members.

In addition to Sir Christopher, George Grover, 65, a former senior partner of Debenham Tewson & Chinnocks, has also joined the board. Newarthill, which has lost considerably more money than its quoted sister company since it went private, says there is no special significance in their appointment. It simply restores the position to having three non-family members on the board.

However, one of the reasons why Sir Christopher may have been picked is that he is well versed in the ways of family companies, having been a director of Lord Hanson's family-owned transport business since 1974.

■ Richard Lovell, md of Wagons-Lits Travel in the UK, has been appointed executive vice-president for northern Europe and Asia.■ Robert Smialek, president and ceo of SIEBE's temperature and appliance controls division based in Ohio, has been appointed to the main board.

■ Simon Marsden has been appointed md of Leyland and Birmingham Rubber Company, part of BTR; he moves from BTR Silvertown.

■ David Hall has been appointed marketing director of ADAS, a government Next Step agency; he moves from IBM.

■ Jennifer Vickers, formerly legal director of Comshare International, has been appointed company secretary and corporate lawyer at HOLLIDAY CHEMICAL HOLDINGS.

■ Ian Harris, formerly md, has been appointed chairman and ceo of BONAS MACHINE COMPANY; Jeff Gosling, formerly finance director, becomes md.

■ David Livermore, a former director of IBM UK, has been appointed group md of RAC MOTORING SERVICES.

■ Jim Deehan, formerly senior audit partner at Price Waterhouse, Bristol, has been appointed finance director of WENTWORTH INTERNATIONAL; Tim Palmer has stepped down as finance director but remains company secretary.

Departures

■ Less than five months after acquiring J&J Fashions for £27m, Claremont Garment (Holdings) has parted company with J&J's founder Jenifer Rosenberg, a former Veuve Clicquot/Institute of Directors Businesswoman of the Year.

There is understood to have been a clash of cultures between the two Marks and Spencer suppliers as the manufacturing disciplines of Claremont met the more fashion-driven J&J, which had far lower profit margins.

As part of the acquisition agreement, Rosenberg was due to sign a two-year contract as an executive director of Claremont at £100,000 a year. After the acquisition this became a six-month contract.

■ Tae Hwan Suh has resigned from PACIFIC HORIZON INVESTMENT TRUST.

■ Brian Goodland, director, safety and environmental affairs, has retired from TEXACO. He joined Texaco (then Regent Petroleum Tankship) in 1961. After coming ashore in 1970, he was vice-president of Texaco Arabia, and joined the Texaco Ltd board in 1983.

■ Robert Rose has retired from MAYNE-NICKLESS.

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MANAGEMENT: THE GROWING BUSINESS

Franchising has proved popular with budding entrepreneurs over the last decade. But **Chris Tighe** looks at what can happen when times get tough

Framers present divided picture

Business is brisk for Fastframe franchisee Paul Bell; his limited edition prints of Nigel Mansell in his Formula I racing car have proved a big seller and he is kept busy framing customers' war medals, photographs and embroidery.

Bell's bustling Wakefield shop, kitted out in signature red, blue and grey, is one of 68 Fastframe franchised outlets, from Aberdeen to Yeovil and Belfast, all offering a quick framing service from well-located main street premises.

In the shops, it is business as usual. But behind the scenes, the Fastframe network, one of the franchising success stories of the 1980s, is in cataclysm. Indeed, according to founder Ian Johnson: "This is probably every franchisor's nightmare come true".

Last month Johnson, a former franchisor of the year, called in receivers Price Waterhouse to Fastframe Franchises, a north-east England-based company whose franchise network comprises 180 outlets in the US, controlled by a head franchisee, as well as 68 in the UK and one each in France and Japan.

Fastframe, which grew rapidly in the late 1980s, had been hit by the onset of recession within months of its 1990 peak, when its UK franchise network reached 90 outlets.

The end of the consumer spending boom put the brakes on the expansion which had annually increased the franchisor's income stream and also hit some franchisees' turnover, with knock-on effects on royalty payments. Some franchisees failed to pay royalties at all and some went out of business, leaving Fastframe with expensive leasehold property.

The receivers immediately closed down most of the 21 shops in Fastframe's wholly-owned West Regent Art Frames chain. But they continued support services to the franchisees and advertised the franchise business for sale.

Listed among its attractions were the 68 UK-franchised outlets and "royalty and marketing income, circa £800,000 per annum in UK alone".

Many franchisees however, saw things rather differently.

"Slavery went out with Wilberforce," says Grenville Salt, a former RAF air traffic controller who is the Leeds Fastframe franchisee. "The receiver can sell Fastframe but they won't sell my business in it. I don't consider myself part of this franchise any more."

Salt and more than 40 other UK franchisees, all members of the Independent Fastframe Franchisees Association, maintain they are no longer bound by the 10-year agreement they each signed with Fastframe because, they say, the parent has failed for some time to deliver promised support services.

"There have been so many and such serious breaches of the agreement that in effect the franchisor has repudiated it," alleges solicitor John Nelson-Jones, a partner in Field Fisher Waterhouse, who has been engaged by the IFFA to argue its members' case with the receiver. "We have the situation where, so far as the franchisees whom I represent are concerned, he has nothing to sell."

Most franchisees paid between £26,000 and £55,000 to be set up by Fastframe in their business.

Unlike many networks, dependent on the franchisor for the products they sell, Fastframe shops buy picture framing materials direct from a list of approved suppliers – a degree of autonomy which doubtless enhanced franchisees' belief they already run truly independent businesses.

The 12.5 per cent annual royalties cover use of the name and concept, the provision of corporate supplies like headed notepaper and wrappings, support and marketing.

IFFA chairman Barbara Cartmel, the Eastbourne franchisee, declined to spell out their criticisms at this stage, but IFFA member Alex Strother, the Middlesbrough franchisee, summarised their objective in one word: "Freedom".

Bell, a former Fastframe franchisee of the year, and runner up in last year's British Franchise Association franchisee of the year award, is among those not in the IFFA.

Like many franchisees, he thinks the parent company's marketing performance fell short but believes established franchisees should not forget the crucial role the franchisor plays in setting them on the business ladder.

"The problem with franchising is there are a lot of people who want the proprietors' profit with the manager's responsibility," he says.

Johnson rejects the disillusioned franchisees' criticisms. "It's very easy to be disgruntled when the company goes into receivership. They know the system now; we've taught them how to do it and operate it."

Franchisees trying to break away are understood to range from those running highly successful businesses to some for whom the 12.5 per cent royalty payment means the difference between survival and collapse.

Many have paid their royalties in full; a handful, says receiver Ed James, owe Fastframe "an awful lot of money".

When Fastframe went into receivership, it was already involved in a dispute with its head franchisee in the US. The UDI declaration by the majority of UK franchisees has, says James, inevitably frightened off prospective purchasers.

If the franchisor ceases trading, the 68 franchisees look set to continue in business; but under what name? James considers those arguing they are no longer bound by their agreement should not continue using the Fastframe name but that others could do so.

Bell, whose turnover is increasing, despite the recession, is confident about the future of his expanding business whatever happens to the parent company.

The ability of franchisees to continue trading well, even after a franchisor collapses, is, says BFA director Brian Smart, one of franchising's strengths.

Smart says Fastframe's problems underline the danger for franchisors of franchisees withholding royalties, termed "management services fees" by the BFA.

The franchisor, he says, must act forcibly to prevent this but ally that with providing services which will enable franchisees to boost trade and meet their commitment.

The Fastframe case, he says, also demonstrates the need for the franchisor to communicate his continuing importance within the network to established franchisees.

Johnson, now concentrating on his own printing business and the three Fastframe shops he owns in Newcastle, is non-committal at present about whether he would become a franchisor again.

"It's a bit like asking a boxer who's just lost a major bout if he'd go in and box again. You have to wait till the morning when the wounds start to heal."

Paul Bell: believes franchisees should not forget the crucial role the franchisor plays in setting them on the business ladder. "The problem with franchising is there are a lot of people who want the proprietors' profit with the manager's responsibility"

In a Nutshell

Setting the standard for small companies

Stung by criticisms that its quality assurance standard BS5750 is too complex for very small businesses to adopt, the British Standards Institution (BSI) is to set up a working group to listen to the complaints of small firms.

BSI is drawing up the terms of reference for the group and plans to involve between 10 and 15 organisations representing small businesses.

It will look at the impact of BS5750 on smaller firms and try to make the standard more accessible. Lancaster University, with the backing of the Federation of Small Businesses, has offered to draw up a simplified users' manual.

At the same time BSI has begun a longer-term study of how it might better integrate the proliferating number of quality standards which it has launched.

Prince sets seal on innovation

Businesses, individuals and research institutions with a new product or process which could form the basis of a new business are eligible to enter for the Prince of Wales Award for Innovation 1993.

Entrants will be judged on the commercial viability of the idea or invention, its market potential, originality, technical merit and the presentation of the entry.

Contact PoW Award for Innovation, Business in the Community, 227a City Road, London EC1V 1LX. Closing date for entries is January 31, 1993.

Great escape from the clutches of disaster

A competition for businesses which have faced disaster and then triumphed has been launched by Durham University Business School and consultants CPCR. The Great Escape Award is intended to persuade entrants to examine their business and to learn from their mistakes.

The award is open to businesses in the north of England which are run by someone who has undertaken higher education and then gone into business. The £1,000 prize will be presented in May.

Contact David Mullen, Director Graduate Enterprise, DUBS, Mill Hill Lane, Durham, DH1 3LB. Tel 091 374 2223.

Rogue directors in the firing line

Action to prevent rogue directors winding up one business to escape their creditors and then immediately setting up in business again emerged as the top priority for small businesses in a survey by the Forum of Private Business.

Seventy-five per cent of respondents named rogue directors as their top concern followed by late payment legislation, mentioned by 69 per cent, the simplification of regulations (67 per cent), compensation for complying with government red tape (62 per cent) and signed contracts with banks (62 per cent).

FSB, Ruskin Chambers, Drury Lane, Knutsford, Cheshire WA16 6HA. Tel 0565 634467.

Cheap finance for young entrepreneurs

A £75,000 loan fund to provide cheap finance to help young people run businesses in south London has been launched by Midland Bank and the Prince's Youth Business Trust.

The fund will offer loans of up to £5,000, repayable over three years, at rates between Midland's base rate and 2 per cent over base. Applicants must be under 25.

Contact PYBT, 5 The Pavement, Clapham Common, London SW4 0HY. Tel 071 498 2774.

European consultants offer a helping hand

The European Commission is to launch a pilot programme aimed at helping small and medium-sized enterprises, employing up to 500 people, adopt best practice in the fields of standardisation, certification, quality assurance and work place safety.

The commission has selected 50 consultants from around the community, each of which will take responsibility for about 15 companies. Under the Euromanagement programme the consultants will help companies become aware of the need for quality standards, will help them upgrade their procedures and adapt to expected quality norms.

Contact Euro Info Centres and European Commission representative offices.

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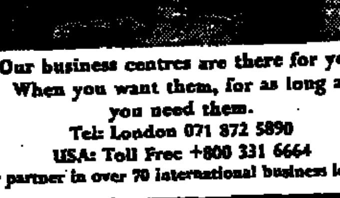

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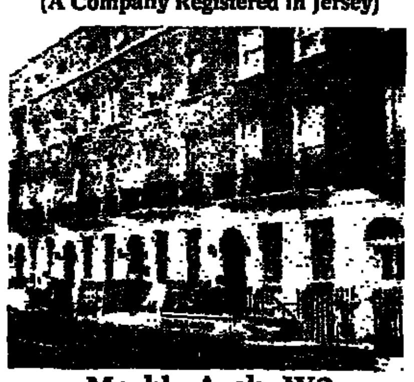

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The Minister of Privatization, acting on behalf of the State Treasury with Article 23 of the Privatization of State Owned Enterprises Act of July the 13th, 1990 (the Privatization Act), hereby issues an Invitation to Negotiate to all suitable parties interested in the acquisition of a block of shares (not less than 10% and not more than the total volume of share capital of the company less the shares to be offered to the company's employees pursuant to Article 24 of the Privatization Act) for the following company.

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ING BH Consultants
has been appointed advisor to the Ministry of Privatization for that transaction. Parties interested in obtaining information on the company should contact ING BH Consultants as described below to receive the Memorandum of Information which will be provided upon signature of a Confidentiality Agreement.

Any proposal made by way of initiation of negotiations pursuant to this Invitation (which could form the basis for further negotiations with the Ministry) must be delivered to ING BH Consultants by December the 8th, 1992, at the address given below.

The Ministry of Privatization reserves the right to prolong the date of acceptance of such proposals beyond December the 8th, 1992 but shall be under no obligation to consider proposals received after that date. The Ministry also reserves the right to revoke this invitation and not to enter into any negotiations, without giving any reasons therefor.

Confirmations of interest and proposals pursuant to this Invitation should be delivered to:

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For further information, please contact Mr M.C. Mistry or either of the Joint Administrative Receivers at Ernst & Young, Lowry House, 17 Marble Street, Manchester M2 3AW.
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For further information please contact:
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The Business Section also appears on page 22

Defending London as a financial centre

Robert Peston and **Robert Rice** examine the proposed creation of a panel on questions of legal uncertainty

The Financial Law Panel sounds the sort of solution only a lawyer would dream up. The Bank of England's Legal Risk Review Committee has recommended the panel be established to help solve problems of legal uncertainty which are said to be threatening London's standing as an international financial centre.

"It is easy for lawyers to persuade themselves they need another legal body," concedes Lord Alexander, the former Bar chairman and chairman of NatWest who headed the committee.

But he adds: "I was persuaded of the need for it because of the demand from market practitioners."

The Bank of England, which will co-sponsor the panel with the Corporation of London, confirms there has been an encouraging response from the City. More than 100 financial firms have indicated they would be prepared to stump up £4,000 each towards the panel's estimated annual costs of £500,000.

The panel will have a board of between 10 and 12 individuals, chaired by Lord Donaldson, the former Master of the Rolls, and a full-time chief executive. The other board members will consist mainly of market practitioners and a few lawyers. There will also be a secretariat of four lawyers seconded from City law firms. It is expected to start work in the spring.

Lord Alexander drew an analogy between Lord Donaldson's appointment and the appointment of Lord Shawcross to head the Takeover Panel when it was set up in 1968.

The Takeover Panel became a success largely because of the zeal and commitment of Lord Shawcross, he said. "I would expect Lord Donaldson to play a similar role."

The panel's initial role will be to provide an authoritative view on legal uncertainties. Its judgments will not have the force of law, but Lord Alexander is hopeful that they will carry weight if the issues in question ever come to court.

If, for example, a financial firm follows the panel's advice but is subsequently sued, Lord Alexander hopes that the courts will at least decide that the firm was acting in good faith and therefore should not be accused of fraud.

"Lenny [Lord Justice] Hoffmann [a member of the review committee] said he thought the courts would give weight to the panel's decisions," Lord Alexander said.

Lord Alexander hopes eventually the panel will evolve into a body more like the Takeover Panel, giving informal advice to firms about the legality of financial transactions they may be contemplating.

NatWest's merchant banking subsidiary, County NatWest, might, for example, have acted differently when advising Blue Arrow on its 1987 rights issue if it had had access to impartial external advice.

Certainly Lord Donaldson envisages the panel developing along those lines. "I've insisted on professional indemnity cover against the risk of being sued for negligent advice," he says.

Trevor Humphries

Lord Alexander: Financial Law Panel could reduce turmoil

But he is less convinced that the courts will accept the panel's advice as City custom and practice. The courts will require greater certainty than that, he says, before they will accept something as binding practice.

The incident which led to the creation of the review committee was the 1990 House of Lords swaps ruling. The Law Lords ruled that swaps contracts between banks and local authorities were invalid because local authorities had never been empowered by government to carry out swaps. The contracts were *ultra vires* – outside their powers. Banks, many of them foreign, were outraged when they were unable to enforce the contracts.

Lord Alexander believes that had the Financial Law Panel been in existence five years ago, the extent of the ensuing financial turmoil could have been reduced.

The panel might have been able to point out the loophole in the law in time for the government to act. Even if it had refused to give local authorities the power to enter into swaps contracts, the panel might have advised banks to include clauses in their swaps contracts setting out the basis for making restitution in the event of the deals being ruled unenforceable.

"I think those restitution clauses might have stood up," he says.

The swaps case illustrates the two main reasons why a panel may be useful. First, the City has been adept in financial innovation, creating products which the existing legal framework may not recognise; and second, the law itself can be ambiguous.

But is there really a wider legal uncertainty problem? Mr Philip Wood, senior banking partner at City solicitors Allen & Overy, believes the City has "vastly over-emphasised the problem".

He points out that in the area of judge-made law, for example, apart from the swaps case the review committee was only able to identify one other recent decision which was causing problems.

That was the 1986 charge card services case where the High Court ruled it was conceptually impossible for a creditor to charge back his debt to the debtor. In spite of considerable debate over whether the decision was correct, it still stands, putting many apparently simple financing arrangements, such as the pledge of a certificate of deposit in favour of the issuing bank, at risk.

Nevertheless the panel is "not just window dressing", he says. The City is suffering from "terrific regulation fatigue" and the panel has an important role to play in explaining to parliament how the markets work and why the law needs changing. It can also act as a "loudhailer" for the City, adding weight to its proposals, he adds.

Lord Donaldson was also unsure initially whether a legal uncertainty problem really existed. But a closer examination of the committee's report revealed more than 100 issues raised by City practitioners.

One of the panel's first tasks, he says, will be to sort the problems into categories: those which can safely be ignored either because they are "silly" or "too narrow in ambit"; those requiring changes in legislation; those where test cases may have to be developed, such as the charge card case; and, those where a definitive answer may be impossible but the panel may be able to advise practitioners that if they follow one route it will involve less risk than another.

He is now convinced of the need for the panel and that it can work. "I'm sure there is a job to be done. I'm just not sure quite what it is yet, or how to do it."

Greek state aids law condemned by Court

EUROPEAN COURT

In the third case to raise the compatibility of Greece's general state aid law with the second European Community company law directive, the European Court has again condemned the Greek law.

Law 1386/1983 gives the Greek government power to grant aid to Greek industry. In permitting a capital increase of a company by decision of the minister for the economy, without holding a general meeting, it does not satisfy the second directive's requirements for safeguards for minority shareholders.

The law was also the subject of European Commission Decision 88/167/EEC. Brussels declared that it had no objections to the implementation of the law provided certain conditions were satisfied. One condition was that Greece should comply with the second company law directive by December 31 1987 at the latest.

In response to a third question referred in the present case, the ECJ ruled that the condition imposed did not authorise Greece by way of derogation to maintain in force provisions infringing the second company law directive until the end of 1987.

The Court confirmed that the treaty rules on state aid do not permit the Commission to authorise member states to derogate from treaty rules other than those on state aid.

Case C-134 and C-135/91, Kerafina and others v Greece, ECJ 6CH, 12 November 1992.

Motor insurance liability clarified

The ECJ has clarified the rules in the European Community motor insurance directives determining the country in which a vehicle is normally kept.

The Court held that the rule concerning the territory of the member state of which a vehicle bears a registration plate referred to a registration plate properly issued by a member state.

The Court said that was the only interpretation consistent with the objectives of the motor insurance directives to remove border checks on motor cars by limiting such checks to the registration plate.

If a registration plate appears to be properly issued there should be no further checks. Proof of registration may only be required when the plate is visibly false.

Case C-73/89, Fournier v van Werven, ECJ 6CH. 12 November 1992.

No judgment enforcement without proper service or initiating proceedings

On a reference from the German Bundesgerichtshof, the ECJ has interpreted the Brussels Convention on Jurisdiction and Enforcement of Judgments as meaning that an English High Court default judgment may not be recognised for enforcement purposes in Germany, when the writ initiating the proceedings had not been properly served on the defendant in accordance with German law on civil procedure.

This interpretation applied regardless of whether or not the defendant had knowledge of the judgment and had not used the procedures available to him in his home state.

Case C-123/91, Minalmet GmbH v Brandeis Limited, ECJ 4CH, 12 November 1992.

Convention on Origin designations between France and Spain upheld

The ECJ interpreted the Rome Treaty's rules on free movement of goods as permitting geographic descriptions of confectionery and designations of origin to be protected by a 1973 bilateral convention between France and Spain, provided the protected descriptions and designations did not have a generic character in the country of origin at the time the convention came into force, or since.

Case C-3/91, Exportatur SA v LOR SA and Confisserie du Tech, ECJ FC, 10 November 1992.

Other cases

In the context of a dispute over German meat health inspection charges, the ECJ held that a Council Decision had direct effect and could be relied on in national proceedings against national authorities responsible for its implementation, once the deadline for implementation had expired.

Case C-156/91, Hans Fleich v Landrat des Kreises Schleswig-Flensburg, ECJ 2CH, 10 November 1992.

BRICK COURT CHAMBERS, BRUSSELS

Judge Edward

Judge David Edward, the British judge at the European Court, has asked us to make clear that certain statements about cases currently before the Court made in last week's column were comment and not made by him in a speech to the UK Association for European Law in London.

LEGAL BRIEFS

Fraud detection guidelines revive fears

US guidelines for rewarding companies that report internal white-collar crime are causing renewed concern among lawyers.

Lawyers say that, as feared, the Federal Sentencing Guidelines for Organisations are being used as a mechanism for controlling and shaping corporate conduct rather than as a mere sentencing device.

Under the guidelines, one year old this month, fines are reduced if a company detects a crime before any government organisation does, brings it to the authorities' attention and accepts responsibility.

This summer the guidelines were used in settling government claims of fraud against Salomon Inc.

Salomon agreed to pay $290m, and avoided criminal charges, by replacing its top management, sacking the principal culprits, co-operating fully with the government investigation and taking steps to ensure there would be no recurrence.

Solvency mix-up

London solicitors Brecher & Co are calling for clarification of a Companies Act requirement for directors of a holding company to make statutory declarations as to the company's solvency where one of its subsidiaries is proposing to give financial assistance for the acquisition of the holding company's shares.

Brecher says ambiguity in the legislation has resulted in a misdirection on one of the declaration forms. The form directs holding companies to give declarations about the solvency of the subsidiary instead of the holding company.

This could leave directors and auditors open to claims for breach of statutory duty, fines and even criminal sanctions.

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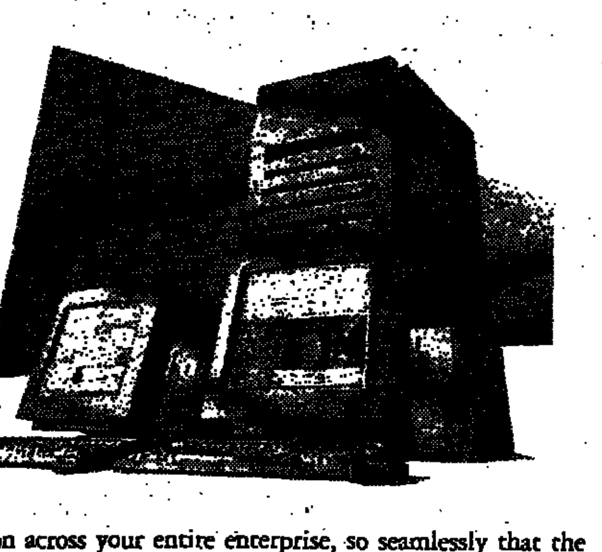

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Drug companies are toughening their approach to research and development, writes Clive Cookson

A tighter lid on the pillbox

R&D

THE drugs industry is adopting an increasingly ruthless attitude to research and development spending, which grew fourfold over the past decade to reach an estimated $25bn (£16.50bn) worldwide this year. Companies are working to reduce the interval between drug discovery and marketing – averaging about 10 years – and at the same time to control the soaring costs of R&D.

A *striking example* of the hard decisions being made was this autumn's announcement by SmithKline Beecham, the Anglo-US group, of 150 redundancies among its UK R&D staff. Equally shocking to people inside and outside the company was its withdrawal from long-term research into gastro-intestinal drugs – the field that led to its best-selling product, the ulcer medicine Tagamet.

But George Poste, SB's new chairman of pharmaceutical R&D, said that in today's climate "resources must be focused on drug discovery with the highest potential for return". It was not worth continuing to search for new gastro-intestinal drugs, because there were better targets in other fields.

Poste also stated SB's intention to hold R&D budgets to about 15 per cent of pharmaceutical sales. That is similar to the R&D commitment of most international drug companies based in Europe and the US.

Roche of Switzerland stands out for its large R&D spending, equivalent to 26 per cent of prescription drug sales. As the table shows, Roche more or less matches the two giants of the industry, Glaxo of the UK and Merck of the US, in its total spending on R&D – about $1bn in 1991. But research expenses are exceptionally high in Switzerland, so Roche does not employ such a large R&D workforce. At the other extreme, companies based in the UK, where scientific salaries are notoriously low, can afford to employ more people for each $1m spent on R&D.

To force the pace of development, companies are setting an increasingly tight timetable for each stage of R&D, accompanied by tough criteria which every project must satisfy if it is to move on to the next stage.

For example, ICI Pharmaceuticals in the UK now consistently achieves its target of administering *candidate* drugs to human volunteers within 14 months of their first synthesis, says Tom McKillop, technical director. This stage used to take an average of 30 months.

At the same time ICI has become more determined to abandon drugs that do not live up to their initial promise. The new approach is quite different to the company's traditional attitude which "assumed that every drug was going to succeed," McKillop says.

Strong management is required to kill a promising research project in the face of lobbying from scientists who have devoted years of work to it – and who still believe it would lead to a blockbuster drug if only the company would let them continue a little longer.

'You have to pick the winners and prevent anything else from cluttering the system'

As Max Gurtner, head of corporate communications at Roche puts it, "managing the development pipeline is really tough because you're dealing with people who feel they live or die with their project."

A comprehensive survey of R&D management in the international pharmaceutical industry, published this year by the UK-based Centre for Medicines Research, shows that about half the companies have a target maximum time to take a new drug from discovery to first market. This averages eight to nine years for US and European companies and 12 years for Japanese companies.

Detailed analysis of 114 research projects by PA Consulting of the UK suggests that the two largest pharmaceutical companies succeed in getting their drugs to market faster than their competitors. Glaxo and Merck averaged 7.2 years and 7.8 years respectively; the average time to market for eight other international companies was 10.2 years.

Their speed is partly the result of clear-sighted management. "You have to pick the winners, set your priorities and prevent anything else distracting you or cluttering up the system," said Richard Sykes, Glaxo research director.

But size may be an advantage in itself, because the giants have more drugs in development at any one time and therefore more flexibility to concentrate on the most promising candidates. An example is the way Glaxo switched chemical research resources this year into developing a promising Aids drug, 3TC; "nothing is being allowed to stand in its way," said Grahaem Brown, who is in charge of the development programme.

The giants can also afford to take more risks than smaller companies through "parallel development" – moving on to the next phase of a project before completing the current one.

Pharmaceutical companies in Japan tend to proceed more cautiously, preferring to carry out R&D step by step rather than in parallel, as Stuart Walker, director of the Centre for Medicines Research, points out. As a result Japanese drugs take even longer to reach the market than western ones, but fewer of them are dropped during the development process.

Japanese drug companies do not yet spend as much on R&D as their European and US counterparts, with R&D budgets typically amounting to only 10 to 12 per cent of sales. "They are going to have to increase that spend to come into line with the rest of the world if they want to become major global players," Walker says.

Once drug companies have put the right management in place, researchers can call on an enormous range of new technologies to help them. Computers are now used in every aspect of pharmaceutical R&D, from graphics systems for designing new molecules to information systems for keeping track of the immense volumes of patient data amassed during clinical trials.

An example from the start of the drug discovery process is Glaxo's Core-2000, a collection of 2,000 compounds chosen by computer and chemical analysis to give a representative sample of the 10m molecules known to science. The idea was to come up with the most diverse possible selection of molecular structures.

Glaxo researchers who want to develop a medicine against a particular target can start by screening the Core-2000 chemicals to discover which has the biological activity they want. This should give a "lead *compound" which can be improved,* with the help of molecular graphics computers, to produce one or more candidate drugs.

There may be even more opportunity to use information technology *later in the R&D* process, to accelerate the clinical trials which usually take up more than half of the total time taken to get a drug to market. Merck's Clin*Net project shows how a company can benefit from a computer network linking its headquarters to clinical centres around the world.

Clin*Net – installed over the last four years – allows managers to follow the progress of thousands of patients far more effectively than the unwieldy mixture of mail, telephone calls and faxes used previously.

For example, the network enabled Merck to analyse early clinical results from Proscar, its new prostate drug, as they came in and to make a quick judgment that it was worth waiting for 12-month data before submitting a licensing application, because these would provide more persuasive evidence of the medicine's efficacy than the six-month data.

The progress of science, particularly in genetics and molecular biology, has given the pharmaceutical industry more possible avenues of *research than ever before. In one* sense this is a golden age of drug development.

But pharmaceutical manufacturers already devote a higher proportion of their revenues to R&D than other high-technology industries such as electronics and aerospace. They face a likely squeeze on profits over the next few years as governments tighten price controls. So rising R&D spending – for long a source of pride for drug companies – could soon become an embarrassment.

World's top pharmaceutical research companies

	R&D manpower 1990	R&D expenditure 1991 (£m)	R&D as % of sales 1991
Glaxo	5,700	540	14
Merck	5,300	510	12
SmithKline Beecham	4,800	370	15
Hoechst	4,500	480	16
Ciba-Geigy	4,300	380	17
Bristol Myers Squibb	4,000	490	15
Roche	4,000	530	26
Eli Lilly	3,600	360	16
Sanofi/Winthrop	3,600	280	20
Wellcome	3,600	230	19
Boehringer Ingelheim	3,500	250	20
Rhône Poulenc Rorer	3,400	250	13
ICI	3,300	220	14
Sandoz	3,300	380	16

Source: Industry estimates

Technically Speaking

The art of Tom, Dick and Harry

By Geof Wheelwright

PRODUCERS of personal computer presentation software have a lot to answer for. Increasing numbers of salespeople and corporate executives are using their programs to create business presentations that insult the sensibilities of viewers with odd combinations of garish colours, loud backgrounds and strange mixtures of type.

You know the sort of thing. A sales representative from a company with a name like Fuzzy-Tech Office Equipment comes by your office to give a sales presentation on his company's latest goodies. He fires up an overhead projector or a colour computer display and proceeds to overwhelm you with dozens of slides that feature red text on a purple background. You quietly cringe at the unreadable mess, serve him a cup of undrinkable coffee and send him on his way.

Time was when such a salesperson would carry only a series of brochures and perhaps some corporate slides created by professional graphic designers and artists. However boring the content of the slides, you could at least be assured that the look of them would not resemble a trip through San Francisco's Haight Ashbury district in the 1960s.

The problem lies with PC-based business presentation software. It is now so cheap and easy to use that anyone with a keyboard, mouse and a good printer can create their own business presentations.

In theory, this is good news. It gives marketing people better *control over their presentations* – and ensures that they much more accurately reflect the sales message they are trying to get across. Corporate training and educational presentations also benefit from this technology – users can create timely presentations tailored to their target audiences.

When putting this theory into practice, however, far too many corporations eliminate an important step – they fail to offer users any kind of training and guidance in the graphic arts. Managers assume that if they give their marketing staff the right software, they will automatically be able to produce professional quality presentations.

This is simplistic and wrong-headed.

Sales and marketing executives are no more qualified to be designers and typographers than house painters are to be architects. There are specific skills required to produce professional-looking presentations and they cannot be acquired overnight.

The software companies who produce these presentation applications – such as Aldus Corporation, Microsoft and Lotus Development – must take some of the blame for propagating the notion that anyone can be a designer.

They have, however, generally recognised this problem by including dozens of presentation "templates" that come prepackaged with the software. These templates use professionally-matched colours, backgrounds, typefaces and graphics – and look respectable. But the enterprising young salesperson from Fuzzy-Tech isn't going to be caught using the same template as his competitor – and therefore goes off to create something for himself.

One solution is to limit the choices available to individuals who create their own presentation graphics to a number of corporate-approved colours, typefaces, backgrounds and "transition effects". Most popular presentation applications already allow corporate software or MIS managers to set up such a system by "locking out" certain functions *and customising the presentation* application.

It is up to corporate purchasers of presentation software to make use of these features. For those who do, may I suggest – as a frequent viewer – that everyone remove the overworked magenta from the colour palette and do away with those clever "exploding" transition effects, which are no longer novel. I would also like to see a limit on the number of slides per minute.

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EMPLOYMENT SERVICE

Edvard Munch: a soul exposed

William Packer reviews the exhibition at the National Gallery

"I have always worked best with my paintings around me. I placed them together and felt that some of the pictures related to each other through the subject matter. When they were placed together, a sound went through them right away, and they became quite different from when they were separate – they became a symphony". So wrote Norway's greatest painter Edvard Munch, in explaining how he came to see his work as a unified and cumulative expression of his ideas.

There is of itself nothing unusual in this, save only that Munch's approach to his work was peculiarly and insistently subjective in the meanings and interpretations he loaded onto it. For so directly visual a medium of communication, and so essentially painterly the manner of its employment, so literary a reading of the imagery is remarkable.

Munch came to his conclusion in a general way early in his career, in relation to his work around 1890 that centred upon an unhappy love-affair, and maintained it throughout his life – he died in 1944 at the age of 80. Again, there is nothing unusual in the picture of the artist surrounded by his work, but, with Munch, the work he seems constantly to have kept by him, even in his old age, was that of this, his early maturity, extending through the 1890s. The concept of "The Frieze of Life" as a more comprehensive cycle of paintings, taking the theme beyond Love and its defeats to Melancholy, Anxiety and finally to Death, seems to have crystalised in his mind somewhat later in the 1890s, and it was under that title that he showed a large retrospective group of these paintings at the Berlin Secession of 1902.

Munch clearly attached the greatest significance to "The Frieze" cycle. Here, if anywhere, he felt, was concentrated the very essence of his art. And it is this essence that has been brought to the National Gallery, in as close as possible a reassembly of that first "Frieze" show of 1902. A hundred years ago almost to the day an earlier show in Berlin was closed down in a storm of controversy and complaint, and Munch has remained, if not quite so controversial, at least a difficult artist ever since. If this comparatively small but spectacular exhibition, beautifully installed, does not persuade you that he was indeed a great artist, nothing will.

The difficulty, if difficulty it is, lies in part with subject-matter that is obviously and intensely personal, but rather more with the manner of its realisation. Munch was a sophisticated and thoroughly professional painter, and here we are given repeated demonstrations of his mastery. The self-portrait of 1895 with which the show begins, the artist's disembodied head and hand, brightly lit from below, emerging from the shadows and wreathed in cigarette-smoke, is one of the great self-portraits of any age. The woman standing before her house, ghost-like in the moonlight, is again one of the great images of its period and worked with manifest sensitivity. The woodcuts throughout are wonders of virtuoso simplicity.

And yet rather more often we confront an image stark in its presentation, raw in its colour, the paint thin, the drawing perfunctory, the figures grotesque. It is not that Munch cannot paint but rather, so intense is his involvement with his image and idea, and so impatient is he to resolve them, that he can hardly be bothered to do so. The mark, the gesture, driven by an intuitive desperation and without further refinement, must stand as they are, the very soul and truth of his creative expression.

"I do not paint what I see", he said, "but what I saw." "Nature . . . is the inner reflection of the soul." "I felt as if a scream was going through nature . . . I painted . . . the clouds like real blood. The colours were screaming." "And I painted what I remembered without adding anything – without the details I could no longer see . . . I painted pictures from my childhood . . ."

Here we confront a great paradox of art, for the artist has only his experience of life and the world from which to work, yet to be so self-centred is to risk limitation and irrelevance. The danger with Munch is always the too-literal biographical and psychological reading of his work, his difficulties in love, the deaths in the family, the nervous debility. His vindication and triumph as an artist is that in pursuing so relentlessly his personal obsessions, he yet allows them a universal relevance, that we may come to in our own way.

Part of The Frieze of Life: 'Anxiety', 1894, by Edvard Munch

The melancholy of rejection and the pain of jealous love were very much his own, in the lonely figure sitting on the rocks at twilight, with the new lovers together at a distance, but the pain is there for us to share, and the truth universal. The kiss of passion is transformed into the bite of the Vampire: the Sphinx shown in the three characters of Woman – virgin, temptress and mother – and no wonder a dejected and puzzled man hides in the shadows.

"The Sick Child", of 1896, was the occasion of yet more scandal when it was first shown. Now, with its companion version, made some ten years later, it hangs at the centre of the show, just as Munch himself acknowledged it to be at the very heart of his work. The death in adolescence of his sister, Sophie, had deeply affected him. Here, long afterwards, he works through his still-active grief, as it were objectively, to produce a work of magisterial authority and radical simplicity, the surface reworked, as though to conjure the integral image out of the memory. "No painting", he tells us, "has ever caused such disapproval in Norway. On the opening day . . . people were crowding in front of (it) – there was laughter and shouting . . ." Together with the exquisite lithograph of the child's head, of which there are about a hundred variations, it is gentle and affecting, and as beautiful a painting as any he ever made.

Edvard Munch – The Frieze of Life: The National Gallery, Trafalgar Square WC2, until February 7. Sponsored by Norsk Hydro (UK).

Theatre

Angels in America

The final image of *Millennium Approaches*, the first half of Tony Kushner's epic American play, *Angels in America*, sears itself on the memory and piques the imagination: an angel hovers over the sick bed of an AIDS patient, about to speak.

In the 18 months since *Millennium Approaches* was first staged in San Francisco and at London's Royal National Theatre, an enormous amount of attention has been focussed on just what that angel is going to say. Even before Kushner had completed the play's second half, *Perestroika*, *Angels in America* was being hailed as the great hope of the American theatre; the pressure on him must have been enormous, and it shows in the work.

Perestroika had its premiere in Los Angeles last week as part of the Mark Taper Forum's seven hour long production of *Angels in America*. The angel finally spoke, and her news for mankind is grim. So is the news on *Perestroika*; it is over long, preachy, and – what is more disturbing – so ponderous that it blunts the brilliance of *Millennium Approaches*.

Millennium Approaches strains the seams of its form: Kushner had so much to say and such a need to say it that words, character and plot seemed barely able to contain him. Only through a play this vast could he communicate the depths of his alarm about the AIDS crisis and of his indignation about the heartlessness of Reagan era America.

Scenes bump into and overlap with other scenes. Imagination and fantasy mingle with harsh fact: a desperate, lonely housewife's valium trip intersects with the feverish hallucinations of a gay man with AIDS. Fictional characters, at once emblematic and individual – a closeted gay, politically conservative Mormon; a self-indulgent gay Jewish leftie – share the stage with historical characters so extreme they seem imagined: Roy Cohn, the homophobic, homosexual ultra-right-wing politician who died of AIDS; and Ethel Rosenberg, whom Cohn helped condemn to death for treason.

Millennium Approaches is almost too long, its language almost too heightened, the politics too front-and-centre, but we excuse the fact that it teeters on the edge of excess because Kushner's subject matter is extreme and his immersion in it total.

If *Millennium Approaches* is Kushner's diagnosis of what is ailing America, then *Perestroika* is his fruitless search for a solution. In it he tries to wrap up all the plots that he set in motion and to find a unifying meaning behind his subject matter. He seems to be shouldering all the world's burdens, trying to find answers to problems it is going to take years to remedy.

The two works together push *Millennium's* near excesses over the edge. Plots that had emblematic significance become convoluted story telling and what was brilliant writing starts to seem like so much showing off: snappy repartee between gay men becomes reductive queeniness and rousing political debate becomes heavy-handed polemicising. Flaws in the way characters are drawn start to show – is nurse Belize really anything more than a comic foil? and does Hannah Pitt, Joe's mother, have a purpose other than to add another female presence and to give companionship to Prior, the man who is dying of AIDS?

Kushner is clearly struggling for control of the play, and with his ending concedes defeat. By having Prior address the audience directly about facing the AIDS crisis with bravery, Kushner throws away all pretence of dramatisation and hits the audience in the face with his message.

Directors Oskar Eustis, who has been closely involved with *Angels in America* since he commissioned it for San Francisco's Eureka Theatre over five years ago, and Tony Taccone have put together a serviceable but unextraordinary production in which everything seems to be happening at 75 per cent of its possible intensity. The music could be more exciting; characters on stage are under-used when they are not the focus of the action; John Conklin's set could be more visually interesting; and the technical tricks could be faster and louder.

The performances are, with one exception, spot on. Ron Leibman's Roy Cohn is scarily good – all spluttering, bellowing gusto. Others stand out include K. Todd Freeman, whose Belize raises the withering glare to high art; Joe Mantello, finding what is loveable and loathsome about Louis and Stephen Spinella, who make's Prior's struggle with AIDS moving but never maudlin. Cynthia Mace as the valium-addicted Mormon housewife, Harper, is the only weak link; her laboured, mannered speech pattern makes her monologues seem over-written.

The best news about the Los Angeles *Angels in America* is that it is not finished yet. Kushner is reportedly not happy with the production and there will be major changes before it transfers to the New York Shakespeare Festival's off-Broadway Public Theatre in February.

Karen Fricker

Stephen Spinella and Joe Mantello in 'Perestroika'

Recital/**Richard Fairman**

Margaret Price

With the champagne glasses from the gala re-opening night cleared away, the Wigmore Hall is settling back to work. One of the facilities improved during the refurbishment is the radio room and it was good to see the BBC taking Friday's recital for future relay.

This first full recital was awarded to Margaret Price, a gesture well deserved. The Welsh soprano is the leading British exponent of song on the international platform. At her finest, she is a recitalist of exemplary virtues, like an author who writes immaculate prose or an actress who declaims Shakespeare with perfect eloquence. Music and poetry flow together on a silver stream of tone: pure singing of the highest standard.

Unfortunately, this was not one of those best evenings. As can happen to anybody, the singer found herself in less than her easiest voice. The programme opened with Mendelssohn, in which the hoped-for purity of sound refused to appear. To compensate, she gave voice and temperament freer rein, resulting in bigger, breathy and rather hearty singing, when these light-footed songs about elves and nightingales really ask to dance on a pin-head.

Only when the focus of the voice came true did the nightingale in Price sing out. Two Schumann songs, "Der Sandmann" and "Des Sennen Abschied", were especially beautiful, because the voice slimmed down to its expressive core. There were good things, too, in her Frank Bridge group, such as the distant calling across the fields in "Mantle of blue", but the main pleasure here came in discovering what lovely songs these are. Why do we not hear them more often?

In her recent recital appearances Margaret Price has tended to favour German Lieder in her programmes, so the inclusion of the Bridge was a welcome change, as was her rare performance of Britten's song-cycle *The Poet's Echo*. This was properly impassioned singing. With Graham Johnson providing keenly dramatised accompaniments on the Wigmore's new Bösendorfer piano, she found both the music's cold Russian landscape and its burning inner heart.

For encores, Britten folksong arrangements (a haunting "Ca' the yowes") and Finzi. Then, to finish, "Oliver Cromwell", a favourite Price encore, in which she promptly got lost and stopped the show, to audience delirium, with a spontaneous expletive. The chances are this was the first time a four-letter word has ever been uttered in the Wigmore Hall: it has duly been christened!

Concert/**David Murray**

The Labèque sisters

The duo-pianist sisters Labèque, Katia and Marielle, are irrepressible musicians, and for some time now they have shown signs of frustration with the two-piano repertoire. There is plenty of good music for two pianos alone, but precious little with orchestra – of the first quality, only Mozart's concerto and the Poulenc one which it partly inspired, and then a long drop down to minor stuff. (Bartók's superb Sonata for Two Pianos and Percussion has never made much headway in its orchestral version.)

With the Philharmonia on Saturday, the Labèques took a brave step into more "advanced" territory than they usually explore: Luciano Berio's Concerto, first heard in the Festival Hall almost 20 years ago. It is only officially a "two-piano" concerto, for behind the soloists in the orchestra there is a third piano – here, Michael Round – with a prominent supporting role, often recycling the soloists' music in counterpoint with them.

That extends the role-ambiguities which are built quite deliberately into the score. The soloists are only sometimes principal voices, collaborate directly with each other only part of the time, often accompany other instruments or melt into the orchestral texture – which is mostly *moiré*-silken, in the composer's best and most inimitable style. At the right moments the Labèque personalities surfaced brightly, making Berio's efflorescent figurations tingle, but they were scrupulous team-members too.

For all its oddities, this fascinating piece begins to look like keeping a firm place in the repertoire which so badly needs it. Under the conductor Semyon Bychkov, the score sounded expertly prepared. One had doubts only about the two big, power-driven climaxes, where forceful *accelerandi* and fierce dynamics made conventional peaks; Berio's way of piling up the disparate voices is subtler, and does not need such underlining.

Before the concerto, Bychkov took the Philharmonia through Stravinsky's comic little Suite no. 2 with much verve, and some dicey ensemble. Later, Tchaikovsky's 6th Symphony got unremarkable treatment – too sectional to support the would-be symphonic structure, too consistently loud and too barren of thoughtful shading. Our withers were not wrung. Only Michael Collins' clarinet solos glowed tenderly, like good deeds in a rough world.

Sponsored by the AFG Group

The Duchess of Malfi

John Webster (c1580-c1630) collaborated with many of his Jacobean contemporaries, but wrote best alone, producing tense, atmospheric dramas. The Court Theatre Company's ambitious *The Duchess of Malfi* at the New End Theatre, Hampstead suits this small space. The production is thorough and intimate, but has yet to find the energy and the atmosphere essential for good Webster.

The Duchess (1614) rivals *The White Devil* as Webster's most powerful play, a tragedy of steady desire ending in an orgy of carnage. The widowed Duchess seduces and secretly marries her court steward, Antonio. Her brothers, a cardinal and a duke, have forbidden her to marry; but after her first child is born, they send a spy, Bosola, to report on her. She and her husband flee; she is captured, mentally tortured and – with two of her children – strangled by Bosola. He in turn is killed by the duke, but not before stabbing Antonio and the Cardinal.

T.S. Eliot was being flatly obvious when he found Webster much possessed by death. Webster throws long, deep shadows across the action. The sinuous verse closes scenes down: "Cover her face. Mine eyes dazzle. She died young." But Webster can be witty; a servant says to the Duchess' husband, "Wherefore still when you lie with my lady do you rise so early?"

The acting, fresh and honest, needs to be less timid and more forceful. Louise Salter as the Duchess is languidly sexy, seducing her steward with "What think you of marriage?" in a voice like ground nutmeg. Opposite her, Nigel Daly as Bosola catches the expeditious quality of the Machiavel, always alert, sharp and sensitive: it is a fine piece of acting. Elsewhere, the married pair from the subplot, Castruchio (David Focques) and Julia (Lorna Phillips) wedded to infidelity, add lustre and life.

The candlelit set is appropriately plain, a gallery and curtains; and the dress is quiet, modern and unfussy. Anthony Cornish's direction could be much tighter, bringing each scene to a point; he has yet to account for each line of Webster's admittedly difficult text.

This company is the professional wing of the Court Theatre Training Company, and offers the chance to see new acting talent and work in progress. This production represents its strengths and weaknesses. Despite a fresh, buoyant approach, the play is delivered as a collection of encounters rather than a dramatic whole. The characters leave no more behind them, as Webster says, "than one that falls in the frost: the sun melts both form and matter."

Andrew St George

New End Theatre (071 794 0022)

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
Philip Langridge gives a song recital tonight in Kleine Zaal of the Concertgebouw. In the main hall, Hans Vonk conducts orchestral rarities by Debussy and Webern. Thurs (also Nov 27): Nikolaus Harnoncourt conducts Royal Concertgebouw Orchestra in symphonies by Schubert and Haydn. Sat evening and Sun afternoon: Hartmut Haenchen conducts choral music by Penderecki and the Bach family, with soloists Jard van Nes, Hans-Peter Blochwitz and Siegfried Lorenz. Next Mon: Endellion String Quartet. Next Tues: Midori. Nov 29: Andras Schiff (6718 345)
OPERA
Tomorrow and Fri at Muziektheater: Harnoncourt conducts Cosi fan tutte (6255 455)

■ BRUSSELS

Collegium Instrumentale Brugense gives a Bach and Mozart concert tomorrow at Palais des Beaux Arts. Thurs: Yan Pascal Tortelier conducts Belgian National Orchestra in works by Verdi, Prokofiev and Tchaikovsky. Sun: Mark Elder conducts Orchestra of the Monnaie in works by Haydn, Brahms and Janacek. Dec 1: James Galway. Dec 4: José van Dam (507 8200)

■ CHICAGO

CHICAGO LYRIC OPERA
Tonight, Fri and next Mon: Pelléas et Mélisande starring Teresa Stratas and Jerry Hadley (runs till Dec 5). Tomorrow, Sat and next Tues: William Bolcom's McTeague. Nov 28: first night of Un ballo in maschera (332 2244)
CHICAGO SYMPHONY
Thurs, Fri, Sat: Georg Solti conducts Strauss' Second Horn Concerto (Gail Williams) and symphonies by Mozart and Mendelssohn. Next week: Pierre Boulez begins four-week residency (435 6666)

■ MUNICH

● Teresa Berganza gives a song recital tonight at Prinzregententheater. Next Tues: Renato Bruson (221316)
● Thomas Zehetmair plays violin sonatas by Debussy, Hindemith and Ravel tonight at Herkulessaal der Residenz. Next Mon: Mitsuko Uchida. Next Tues: Beaux Arts Trio (299901)
● Jessye Norman sings Strauss' Four Last Songs tonight at Gasteig, with Munich Philharmonic conducted by Sergiu Celibidache. Tomorrow: Evgeny Svetlanov conducts Russian State Symphony Orchestra in a Rakhmaninov programme. Fri and Sat: Valery Gergiev conducts Bavarian Radio Symphony Orchestra in works by Prokofiev. Sun: Igor Oistrakh plays Mozart. Next Mon: Christoph Eschenbach conducts Houston Symphony Orchestra (48098 614)

■ NEW YORK

JAZZ
Kool and the Gang return for a rare New York club appearance this week at Blue Note Jazz Club and Restaurant, daily till Sun. Next week: Stanley Jordan Trio. Dec 1-6: Yellowjackets. Dec 8-13: Chaka Khan (131 West 3rd St, 475 8592)

■ PARIS

DANCE
Merce Cunningham Dance Company can be seen at Palais Garnier daily till Sat, with a new work set to music by David Tudor. Next week: Compagnie Dominique Bagouet. Dec 11: first night of Opéra Ballet production of Jerome Robbins triple bill (4017 3535). Opéra Ballet presents Bourmeister staging of Swan Lake at the Bastille on Thurs and Fri, with eleven further performances till Dec 31 (4001 1616). German dancer and choreographer Susanne Linke is at Théâtre de la Ville tomorrow, Fri and Sat. Next week: Spanish dance company Danat (4274 2277)
OPERA
Peter Brook's Debussy adaptation, Impressions de Pelléas, runs daily except Sun and Mon till Jan 23 at Théâtre des Bouffes du Nord (4607 3450). Saint-Etienne Massenet Festival production of Esclarmonde opens at Opéra Comique tomorrow, daily except Thurs and Mon till Nov 28 (4286 8883). Jorge Lavelli's production of Gounod's Faust is revived at Bastille on Nov 27 (4001 1616). Lully's Armide opens at Théâtre des Champs-Elysées on Nov 30 (4720 3637)
CONCERTS
● Orchestral concerts: tonight at Opéra Comique, Cécile Ousset plays Saint-Saëns' Second Piano Concerto with Ensemble Orchestral de Paris (4286 8883). Tomorrow and Thurs at Salle Pleyel, Orchestre de Paris under Georgian conductor Djansug Kakhidze plays works by Stravinsky, Prokofiev, Ravel and Chausson, with violin soloist Pierre Amoyal. Next week's concerts are conducted by Giulini (4563 0796). Tomorrow at Bastille: Lutoslawski conducts Lutoslawski (4001 1616). Tomorrow at Eglise Saint-Severin: Orchestre National d'Ile de France plays Honegger's Le Roi David (4547 5353). Thurs at Théâtre des Champs-Elysées: Charles Dutoit conducts Orchestre National de France in a Stravinsky programme (4720 3637). Sun at Châtelet: John Eliot Gardiner conducts NDR Orchestra in a Schumann programme, with piano soloist Maria Joao Pires. Next Mon: Chorus of Opéra de Lyon sings Tippett's Songs for Ariel (4028 2840)
● Recitals: Andreas Schmidt sings Lieder by Schumann tomorrow at Châtelet Auditorium (4028 2840). Fri at Théâtre des Champs-Elysées: Margaret Price, accompanied by Graham Johnson, sings Wagner, Liszt and Cornelius. Sun morning: Vladimir Spivakov violin recital (4720 3637). Sat and Sun at Théâtre de la Ville: Janos Starker and Rudolf Buchbinder play Brahms chamber music (4274 2277). Next Mon at Salle Pleyel: Maurizio Pollini (4561 0630)
JAZZ/CABARET
Jazz Club Lionel Hampton This week: American R&B singer Bobby Blue Bland (daily at 22.00 and 01.30). Nov 23-Dec 5: Texan blues singer Johnny Copeland (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

■ WASHINGTON

KENNEDY CENTER
Opera House Washington Opera has Otello tonight, Fri and next Mon, and Rimsky-Korsakov's Tsar's Bride tomorrow and Sat (416 7800)
Concert Hall Tomorrow: Chamber Music Society of Lincoln Center plays music by Mozart, Dvořák and Messiaen. Thurs, Fri, Sat: Zdenek Macal conducts National Symphony Orchestra in Mahler's Fifth Symphony. Sun afternoon: Vladimir Ashkenazy conducts Royal Philharmonic Orchestra in Sibelius' Violin Concerto (Boris Belkin) and Walton's First Symphony. Next Mon: Marek Janowski conducts Philadelphia Orchestra in symphonies by Beethoven and Brahms (467 4600)
Terrace Theater Thurs: Musicians from Marlboro chamber music recital. Fri: Eugene Fodor violin recital (467 4600)
THEATRE
● Sand Mountain: two humorous plays by Romulus Linney about Appalachian mountain people. Opens tomorrow, till Dec 13 (Roundhouse Theater 301-217 3300)
● A Christmas Carol: David Bell's adaptation of Charles Dickens opens on Thurs, till Jan 3 (Fords Theater 347 4833)
● Shakin the Mess Outta Misery: Shay Youngblood's celebration of love and family. Opens tomorrow, till Dec 19 (Source Theater 462 1073)
JAZZ/CABARET
Barns of Wolf Trap Fri and Sat: singer-songwriters Speidel, Goodrich, Goggin and Lille (703-218 6500)

■ ZURICH

Opernhaus 19.30 Agnes Baltsa and José Carreras star in Giordano's Fedora, repeated on Thurs (also Sun, when Baltsa will be partnered by Giorgio Lamberti). Fri: Die Zauberflöte. Sat: Rigoletto (262 0909)
Tonhalle 19.30 Claus Peter Flor conducts Tonhalle Orchestra in Bartók's Second Violin Concerto (Viktoria Mullova) and Beethoven's Seventh Symphony, repeated tomorrow, Thurs, Fri (206 3434)

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Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

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1030-1100, 1800-1830 World Business This Week

Super Channel
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Tuesday November 17 1992

Wise words on Germany

GERMANY'S FIVE wise men make a good case for independent economic advice with their latest economic report. They also demonstrate why governments that are not required to commission independent advice are loath to do so. For the economic advisers have no need to pull their punches. The west German economy faces the prospect of a recession next year, they say, unless the federal and *länder* governments act to control public-sector wages and subsidies. If the German government fails to act, the populations and governments of both Germany and Europe will know whom to blame.

German monetary policy will determine the prospects for economic growth in west Germany and western Europe next year. The wise men's forecast of zero growth in west Germany in 1993 assumes that west German economic growth will be half a per cent by the second half of the year. But the recovery is dependent on lower German interest rates well before then.

Yet the wise men neither blame the Bundesbank for Germany's current problems nor urge rate cuts now. The Bundesbank is rapped on the knuckles for the manner in which it raised interest rates in July only to drop them again in September. But it is the federal and *länder* governments that are lashed by the wise men's collective tongue. It is their failure to outline a credible strategy for bringing the budget deficit under control and the lack of leadership on wages which are responsible for keeping interest rates high.

Unfortunately for the central bank, high interest rates and a strong exchange rate have limited direct effects on Germany's current inflationary pressures. These policies are certainly squeezing inflation in the internationally exposed sectors of the economy: industrial output fell in September by 2 per cent, while wholesale prices actually fell in October. Yet domestic wage pressures and the cumulative effects of loose fiscal policy mean that service sector inflation is still running at above 5¼ per cent a year.

Inflation concern

It is the Bundesbanks's job to worry first and foremost about inflation, not growth and employment. It can only ease policy when there are clear signs that these service sector inflationary pressures are abating. But white collar civil servants have already made a wage claim for an increase of 5¼ per cent next year, while their blue collar colleagues are unlikely to make a lower wage bid. Yet a German inflation rate below 2 per cent requires wage settlements of no more than 4 per cent.

Nor have the federal and *länder* governments come up with credible and substantial proposals to tighten fiscal policy and so take some of the strain off monetary policy. Indeed, the wise men point out that the projected path for general government borrowing over the next few years is based on wholy unrealistic assumptions about the rate of growth of nominal gross domestic product. The federal government expects government borrowing to halve from DM120bn last year to DM66bn in 1996. But the wise men expect borrowing to rise to DM136bn.

Industrial recession

For now, there can be little doubt a medium-term objective of price stability requires the Bundesbank to keep policy tight. The Bundesbank may well wait at least until the public sector wage negotiations are underway before deciding to cut the discount rate. Yet the longer the Bundesbank delays before cutting interest rates, the greater the chance that the industrial recession, of which yesterday's profit warning from Daimler-Benz provides further evidence, will spread to the whole economy. Sadly a recession is the only, albeit blunt, tool the Bundesbank has available to achieve its anti-inflationary objectives.

The German government does have the power to make the Bundesbank's job easier. A credible plan to reduce the fiscal deficit over the next four years, detailing cuts in spending and subsidy now and tax increases when the economy recovers, would make it much easier to ease monetary policy. Meanwhile, Chancellor Kohl's solidarity talks must deliver a firm commitment to wage restraint from both the public and private sector unions.

If the government fails to act, then Germany will continue to suffer from deepening stagflation. Mr Kohl's European partners desperately need him to show leadership. Without it, Europe's economic prospects are going to look increasingly bleak.

A rail link for Heathrow

THE GOVERNMENT cannot afford to give Britons all the transport they want. Last week, ministers announced their intention to enlist private sector support for the task. Days later, an ugly row over the funding of an express rail link between central London and Heathrow airport risks mocking the notion that public and private sectors are capable of working together successfully.

At £300m, the Heathrow Express project is relatively cheap for what it does. Fast, non-stop trains would travel along a new 4-mile spur linking the airport with British Rail's main line, then along existing tracks for the remaining 12-mile stretch into London Paddington. Journey times of an hour by road or London Underground would be cut to just 16 minutes.

BAA, Heathrow's private sector owner, says state-owned British Rail is undermining the viability of the project by asking too high a price for the use of its tracks. British Rail counters that Heathrow Express would take up 43 per cent of its main line capacity, and BAA can hardly expect to get that for nothing. BAA retorts that it is surely worth keeping the track charge low if that means giving the country a significant piece of privately funded infrastructure that it would not otherwise have. Nonsense, says BR: if BAA wants the line subsidised, let it subsidise itself. For whom, after all, is it being built?

Tough negotiating

It would be wrong to make too much of this row. There may yet be a solution: tough negotiating positions are an everyday feature of commercial life and it is, perhaps, reassuring to see BR adopting one in defence of taxpayers' funds. But in the wake of two other unsuccessful attempts by private companies to embark on the operation of rail services – Virgin on the passenger side and Charterail on the freight – an eventual collapse of the Heathrow Express project would augur badly for rail privatisation.

At the heart of the issue is whether private train operators can hope to make a commercial return if they are paying a full commercial price for the use of the tracks. The evidence so far suggests the answer is no. In the case of Heathrow Express, a full track charge would require fare levels so high that few would consider them worth paying so long as other modes of transport offered a cheaper alternative.

Little optimism

Under the railway privatisation plans proposed by the government, all private train operators will pay track charges to the public authority which will own the track. The government is currently awaiting the results of a study which will say what those charges will be. But there is little sense of optimism in the private sector that the study will pave the way for a new golden age of rail: the charges, it is feared, will simply be too steep.

And yet, by accident or design, the government seems to be fumbling its way towards a solution. Last week Mr John MacGregor, transport secretary, promised to produce a green paper early in the new year which will dare to ask whether car and lorry owners pay enough for their use of the roads; whether the right balance has been struck between the charges imposed on rail users and road users; and whether road users should be charged in the same way as rail users – in other words, at the point of use.

Clearly, charging for roads at the point of use would increase rail's competitiveness. Higher charges for road use would increase it more. The green paper on these issues will therefore bear just as directly upon the prospects for the privatisation of British Rail as the study being conducted into track charges. Indeed, it is hard to see how the two can be rationally be conducted in isolation from one another.

So far the government has made no attempt to make this connection. Yesterday's news that the timetable for the privatisation of British Rail is slipping gives it the opportunity to do so. Meanwhile it should resist the temptation to pressurise British Rail into a one-off deal which would give BAA cheap access to the railways on terms unavailable to other would-be train operators.

Weakened by an enemy within

Japan's divided government is finding it hard to respond to unfamiliar economic problems, says Charles Leadbeater

For the next few months, Mr Takufumi Sato's office at the Japanese Ministry of Finance will be the engine room of the flagging Japanese economy.

Mr Sato, director of research in the ministry's budget bureau, devised the Y10,700bn (£54bn) emergency spending package announced in August. His office is now drawing up next year's budget, which will be crucial to Japan's attempts to avoid recession.

With investment falling and consumption stagnant, public spending is the only domestic source of growth. So the responses of Japanese politicians who control public spending will be more important in the next few months than those of its industrialists. But with the economy poised on the edge of a recession, the country's political leadership is consumed by a destabilising power struggle in the wake of the Tokyo Sagawa Kyubin scandal in which senior politicians were accused of taking bribes from a trucking company.

Mr Sato's August package of measures to support the stock market and increase investment in public works was greeted with euphoria. The decisiveness of the government's kick-start, equivalent to about 2.3 per cent of gross national product, seemed to set Japan apart from the US and UK where policy-makers have floundered in their attempts to stimulate the economy.

But recently high spirits have begun to wear off. Over the next six months, it will be touch and go whether Japan falls into recession. The core of the current downturn is not a sharp blow to the international competitiveness of Japanese manufacturing, but a deep-rooted malaise within its financial system. As a result, the responses which have guided Japan through previous downturns – principally Japanese industry's ability to improve its export competitiveness – will not be enough this time.

Nevertheless, most Tokyo economists, financiers and politicians believe that the economy will recover to grow by 3.5 per cent next year. They point to a pick-up in housing starts as evidence that the property market is recovering. They believe industry will soon be able to reduce its inventories of unsold cars, air conditioners and video equipment to acceptable levels. Production should recover soon, they predict, with investment following in its wake.

They also argue that the August spending package had an important psychological impact: it was a sign that the government was committed to do whatever was necessary to prevent recession, including delivering further boosts from public spending if necessary.

The Japanese economy's capacity to recover, even after sustaining great damage, should not be underestimated. It emerged strongly from the recession caused by the international oil price rises of the 1970s and the surge in the value of the yen in the mid-1980s, which threatened to undermine the export competitiveness of much of Japanese industry.

But this time the threat is different in several crucial respects. As a result, the confident Tokyo consensus is likely to prove ill-founded.

The cause of the current contraction is the sharp rise and, since 1989, the steep fall of asset prices. The effect has been to undermine the financial system and the resources available to industry. As Mr Ogata puts it: "In the past the threats were like a broken leg – sharp, painful but specific – and it was clear what was needed to mend them. This downturn is more like a virus affecting the blood system – much more complex and pervasive."

The distinctive nature of the downturn means that different people and institutions are in the front line. Japan's response in the past was based on close co-operation between the powerful Ministry of International Trade and Industry and large manufacturers. This time the government response will be led by the Ministry of Finance and the Bank of Japan working with the financial sector.

Japan's banks have been weakened by non-performing loans which, for the top 21 banks, rose by 54 per cent to Y12,300bn in the six months to September. The most pessimistic forecasts circulating in the banking industry suggest perhaps as much as Y60,000bn of the industry's Y430,000bn of outstanding loans may turn out to be non-performing.

The central problem is that the fall in asset prices has eroded the banks' capital base and reduced the collateral for outstanding loans. The stagnant property market makes it difficult to establish the real price of property and thus the true extent of the losses the banks face.

So much of the banks' resources will be devoted to clearing up this mess that bank lending could be kept at a very low level for the next few years. Bank lending grew by only 0.7 per cent in the six months to September, depriving business of the funds needed for recovery.

Demand for funds is also weak, and industrial investment is unlikely to fuel renewed growth. In the late 1980s Japanese manufacturers expanded capacity, encouraged by the low cost of capital and strong domestic economic growth. Japan's regions have several gleaming new car and semiconductor plants which are lying virtually idle.

Inventories of unsold products are rising at an annual rate of 20 per cent despite cuts in industrial production, which fell by 7.6 per cent in August on the year before. According to Mr Noboru Hatakeyama, Miti vice-minister, it will take another two years for these inventories to reach sustainable levels.

This excess capacity means there will be little need for renewed investment. A recent survey by the Industrial Bank of Japan of more than 3,500 of its corporate customers predicted that an 11.8 per cent cut in manufacturing investment this year will be followed by a 13 per cent drop next year.

Consumption, which represents 56 per cent of gross national product, will not deliver the solution. Despite low unemployment, real incomes are likely to grow negligibly over the next year as employees find their overtime, bonus payments and wage increases cut sharply as employers trim costs. Consumption is likely to remain flat for perhaps another year.

The weakness of the private sector means the public sector must take the strain if the economy is to recover. On the face of it, the government is well placed to respond.

Public finances – the central, local and social security budgets combined – have been in surplus since 1987. According to figures from the Organisation for Economic Co-operation and Development, outstanding government debt, less government assets, has fallen from 26 per cent of GNP in 1985 to 7.5 per cent in 1991. On paper there seems plenty of scope for tax cuts or higher spending in next year's budget. In addition the government can use the funds of the Y138,000bn postal savings system, which is run by the Ministry of Post and Telecommunications, for investment.

However, a fiscal remedy is not that simple. Japanese fiscal policy is becoming an intense civil war between bureaucrats and politicians. It is not just the fate of the August spending package that is in the balance. The question now is whether there will be an additional boost in 1993 and possibly 1994 and, if so, how large it should be and how it should be financed.

As next year's budget is debated, Japan's bureaucracy, renowned for its long-term strategy, will soon display its even greater capacity for infighting.

Ministry of Finance officials talk as if public finances are under assault from politicians, industrialists and bankers seeking hand-outs. They insist the budget surplus is to fund pensions for Japan's ageing population. They believe government borrowing rose to unsustainable levels in the 1970s, pushing up interest payments on government debt as the country was recovering from the oil shocks. They are determined not to let borrowing get out of control again. The Finance Ministry insists that any income tax cut would have to be financed by an offsetting increase in consumption taxes, which would be politically unpopular.

The Finance Ministry's opposition to tax cuts could complicate monetary policy. This is because the Bank of Japan has made it clear that, after six reductions in interest rates in the past 16 months, it believes a further relaxation in monetary policy should only follow a decision to loosen fiscal policy.

The Ministry of Post and Telecommunications is fighting plans to use its funds to prop up the stock market. Meanwhile, manufacturing industry, working through Miti, is opposed to the banks being given public funds to clear their bad debts without industry being helped too.

The intensity of bureaucratic infighting is usually overcome by policy-makers' capacity for striking pragmatic compromises. But that may not be enough to break this log-jam. Two ingredients are lacking.

The first is the threat of a serious financial crisis at a large bank, which might swing public opinion behind government support for the banks. The second is the political leadership to wield authority over the fractious bureaucrats and interest groups.

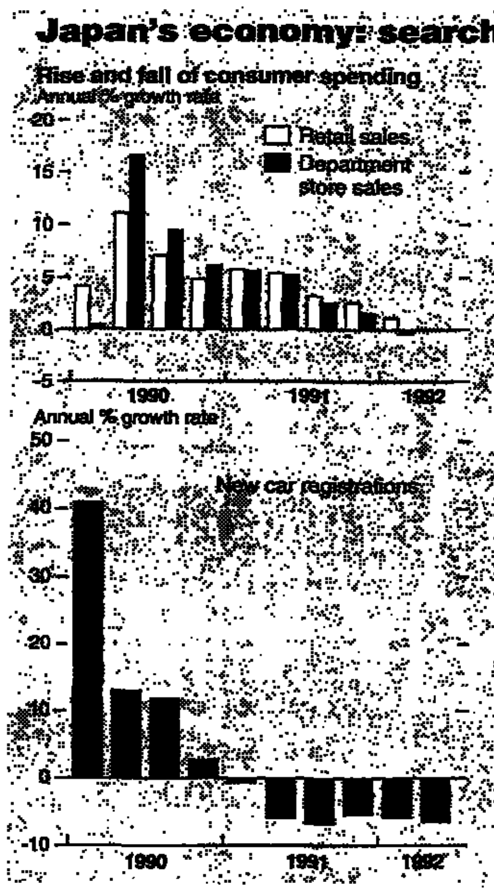
Recent decisive shifts in economic policy, such as the introduction of a 3 per cent consumption tax in 1989, were only possible because the Takeshita faction, the dominant group in the ruling Liberal Democratic party, was united behind the move.

The finance ministry had wanted to delay the emergency spending package until later this autumn. But it was given a political instruction from the top of the LDP to bring it forward. That order almost certainly came from Mr Shin Kanemaru, the former head of the Takeshita faction, who resigned last month over his involvement in the bribery scandal.

With Mr Kanemaru's departure, the administration lacks a member with enough authority to forge a consensus. Indeed, agreement may now be even harder to achieve because the power struggle to succeed Mr Kanemaru has pitted Mr Tsutomu Hata, the finance minister, against Mr Ryutaro Hashimoto, his ambitious predecessor who remains a senior figure within the ruling party.

Many western analysts believe Japan's economic success rests upon the strength of the triangular relationship between business, bureaucrats and politicians working in concert. The current downturn is so threatening because it is prompting new tensions in these relationships at a time when the political authority to maintain order has been undermined. Unless Japan's political leadership can reassert its authority quickly, there will be an increasing risk that the Japanese economy will fall into a prolonged decline.

Japan's economy: search for a fiscal remedy

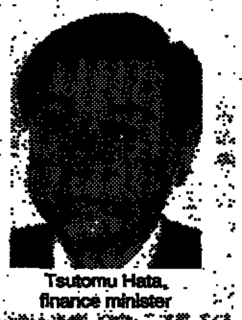


Weak corporate sector

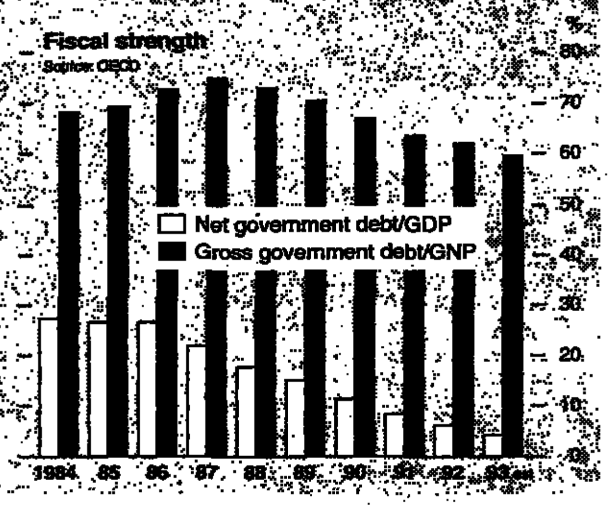
Bankruptcies

	Number	Annual % change	Value ¥'000bn
1989	7,234	-28.5	1,232.3
1990	6,468	-10.6	1,995.9
1991	10,273	65.8	8,148.8
1992*	6,541	38.5	3,494

Source: Tokyo Shoko Research * First half



Tsutomu Hata, finance minister



Joe Rogaly

The price of darkness

The machinery of British government runs efficiently when it is working in the dark with the blinds drawn and the lights switched off. Decisions made by torchlight under the blanket are either executed in secret or, this being a democracy, put to parliament for its formal approval.

This system runs smoothly when none of its parts is dented or, worse, exposed. It goes awry when the House is not properly disciplined, or when a corner of the blacked-out cave that is Whitehall is illuminated, or when the cabinet – which theoretically controls it all – is brought into disrepute. It is for these three reasons that we are enduring a period of dismayingly weak, not to say impotent, government. The House of Commons is unpredictable, a little light has found its way into some of the departments, and the prime minister and his colleagues have lost their authority.

Take the Commons first. Last Thursday's statement of economic policy was well received by the Conservatives, or all but a handful of them. The irreconcilable Thatcherites were for once subdued. There seemed reason to hope that the normal course of British parliamentary business might be resumed – that from now on ministers would propose and all Tory MPs would vote in the Conservative lobby. This is still possible, but the greater likelihood is that there will be further nerve-wracking rebellions, perhaps during the prolonged passage of the bill to ratify the Maastricht treaty, or possibly when the time comes to vote on the financing of the new council tax.

Consider next the fresh insight we now have into the way civil servants and ministers behave. This is derived from the documents in the Matrix Churchill case. The papers are being deployed with his customary skill by Labour's Mr Robin Cook, who is "releasing" them in batches aimed, as smart bombs are to their targets, at the TV news headlines. He let off a few more last night. This has unnerved the administration and the prime minister. It has deflected attention from the Autumn Statement, which was supposed to be the foundation of the government's recovery. Mr John Major's latest speech on the economy, delivered last night, will have to share the available headline space with Mr Cook's missives.

That, however, is not the principal reason why the Matrix Churchill case is so damaging. Four ministers plus the attorney-general stand accused of trying to keep information from a court, when the probability was that the result would be the imprisonment of three

There is no need to impart malign motives to the ministers. The apparatus is malign

innocent men. The ministers' reply is that all they were asked to do was confirm that the relevant papers fell within the categories of secrecy deemed by long-standing rules to warrant a public interest immunity from disclosure. None of them was individually aware of the full case for the prosecution or any of the case for the defence. So it was up to the judge to override their findings, which, as we know, he did.

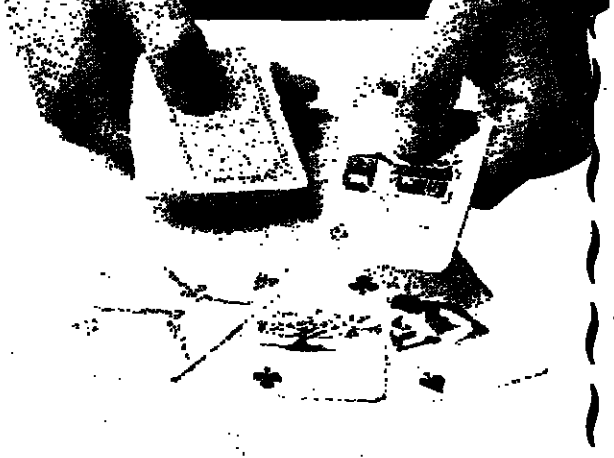
Let us assume that the official inquiry, the terms of reference of which were sensibly broadened by Mr Major yesterday, vindicates this argument. The villain is then seen to be the system of secrecy. Public interest immunity is not essentially a matter of law. It is an administrative convenience. Ministers and officials determine what is and is not a secret. We can easily imagine the detachment, the objectivity, the balanced judgment with which they exercise their prerogative of "sticking to the rules". There is therefore no need to impart malign motives to the ministers concerned. The apparatus is itself malign.

This is of greater significance than the matter of whether or not it was right to arm Iraq when the government was saying that its policy was not to send lethal weaponry to either Iraq or Iran. I suspect that the average voter (although strangely not the House of Commons) is fairly cynical about political lies. Taking a risk that innocent parties might be jailed is more directly offensive to public sensibilities. That risk is inherent in the secretive method of government.

We are left with the question of Mr Major's authority, which he began to lose on September 16 when Britain left the exchange rate mechanism and the magic attached to his name vanished. A prime minister who had enjoyed unprecedented popularity for nearly two years suddenly became the butt of the nation's jokes. The pent-up frustration over the recession came to a head. The weakness inherent in an overall majority of 21 was revealed, the more cruelly so since the disaffected Tory faction is large enough to topple the government by voting with the opposition.

No one expects a quick end to this long-running farce. To say that "it all depends on the economy" is a convenient cover for the more desperate phrase, "it is going to take a helluva long time". There lies the rub. The turnround will come in the end. It always does. But it would be imprudent to expect it before the government's reputation is irretrievably damaged.

Our Cards are on The Table



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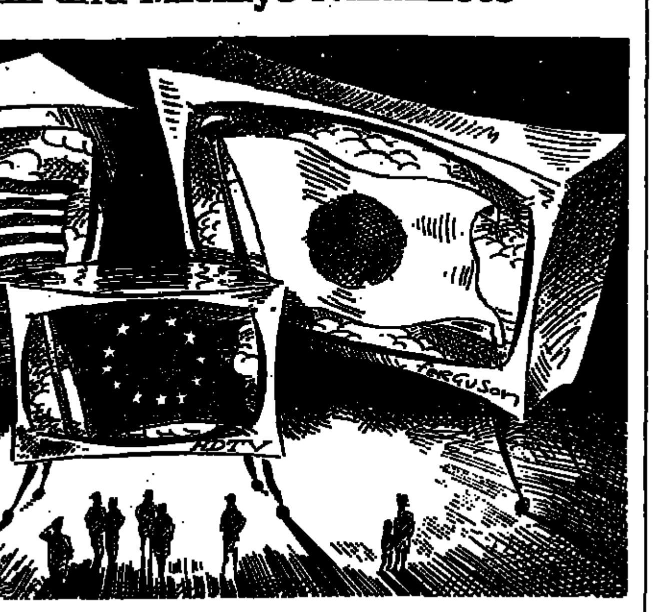
Borough of Newport

Troubled transmission for the big picture show

British doubts and budget pressures threaten Europe's strategy for HDTV, write **Andrew Hill** and **Michiyo Nakamoto**



Just under a year ago, 12 European Community telecommunications ministers spent 15 hours laboriously mapping out a course towards high-definition, cinema-quality television.

In a joint press conference, the principal advocates of an *EC high-definition television* (HDTV) strategy hailed the directive they had agreed as a breakthrough: the European Commission, Dutch, French and German ministers said it was a vital weapon in the continuing fight against US and Japanese competitors in the consumer electronics industry.

On Thursday, those same 12 ministers meet to discuss their strategy for high-definition television (HDTV) amid fears that British intransigence and general EC budget pressures may simply undo what they achieved last year.

Under discussion will be the European Commission's proposed five-year "action plan" for HDTV, which supports last year's technical directive.

The plan consists of an Ecu850m (£697m) package of incentives to encourage the introduction of wide-screen television services. The eventual aim is a move to full high-definition television on the basis of the so-called "Mac" *family of transmission standards*. These were the norms chosen as the best route to high-quality television pictures when the EC first legislated on the subject in 1986.

That first directive, which expired at the end of last year, was widely discredited as an unsuccessful attempt to impose an industrial strategy on an unwilling market. Satellite broadcasters skirted the requirements of the legislation and began transmitting in non-HDTV standards.

This time, Mr Filippo Maria Pandolfi, the EC telecommunications commissioner, has tried to persuade politicians to co-operate with the industry. To get funding under the action plan, consortia of satellite broadcasters and programme-makers would have to demonstrate to the EC that they could deliver a wide-screen service. It could be the EC's last chance to relaunch an HDTV strategy.

The main obstacle to agreement is money. Britain, which will chair Thursday's meeting, believes the Commission has not made a sound business case for spending Ecu850m. "We still haven't seen much justification for this," said one British official last week.

The British stance reflects continuing scepticism among broadcasters that the Commission and interested member states want to cosset European television manufacturers – such as Philips of the Netherlands and Thomson of France – which have invested heavily in Mac technology. The vote has to be unanimous, so Britain could veto the idea.

Advocates of the plan, however, point out that it does not include provision for direct funding of manufacturers. Instead, they say the proposals will assist a wide range of economic interests from independent television producers to retailers.

A report prepared by KPMG *Management Consulting for* the Commission suggests that without the funding the wide-screen market will develop slowly.

Under those circumstances, equipment manufacturers, broadcasters and programme-makers are unanimous that there will be little or no incentive to continue with joint development of specifically European HDTV technology. Philips, for example, has stated that if there is no subsidy, "it could well be the case that you will never see HD-Mac [the final HDTV standard] in Europe – at least not supported by Philips".

With funding, however, KPMG estimates that the value of the market for wide-screen sets and video recorders will reach Ecu27.2bn in current prices by 2002, against Ecu2.5bn if there is no subsidy.

Apart from the central issue of cash – which will have to be thrashed out at ministerial level – discussions between *national officials in Brussels* over the past few weeks have focused on several persistent concerns.

For example, the involvement of Thomson and Philips in developing rival digital technology has fed fears that the analogue Mac transmission standards may be superseded.

Digital signals are electrical (analogue) signals which have been converted into binary codes. The use of digital signals makes it possible to process and distribute a greater volume of information more rapidly than using an analogue system.

Digital television is not excluded from the EC strategy, although the Commission *insists it is still a long way* from commercial production. Along with Mac standards, it would improve the picture quality, but it would also enable more channels to be broadcast than now possible.

The debate about standards has been raging since an HDTV strategy was first proposed in the early 1980s. But are EC consumers and the consumer electronics industry really interested in a new standard, or do they simply need a new product – in this case wide-screen television – to kick-start an ailing market?

The latest draft of the action plan reflects this question. It gives the plan's objective as the development of "advanced satellite and cable television services in Europe in the [wide-screen] format". The Mac standards which have been at the centre of the debate over the past decade are hardly mentioned directly.

Even in the telecommunications directorate, stronghold of *the Mac strategy, officials now* admit that wide-screen television sets and services will initially be more important than the standard in which programmes are broadcast or received. "Nobody buys a standard," says one senior Commission telecoms official. "What people are going to buy in the first phase is wide-screen."

Recent discussions between national officials in Brussels have also shifted the emphasis of the action plan in the direction of the broadcasters. The original proposal was to devote some 25 per cent of funding to so-called "software" – in other words, programmes. In the current draft, between 30 and 40 per cent of funds will be *devoted to programme production* and conversion.

Two questions remain. Commercially, can the industry deliver what is required? Politically, will member states unite to support the strategy?

HDTV still faces a number of significant hurdles. First, television sets will have to incorporate high-quality picture tubes which cost several tens of thousands of dollars.

Second, the improvement in HDTV picture quality over conventional sets is apparent only in bulky and heavy sets that are at least 33in wide.

For practical purposes, HDTV needs an entirely new display system – such as flat panel displays that could be hung on the wall. Such displays are under development but are probably at least 10 years away from the market.

The political problem is more pressing. Telecommunications ministers who aim to support the wide-screen strategy on Thursday know that the final decision on funding is not theirs to take.

Even if Britain can be persuaded to agree, the money must come from existing and future EC budgets. Those budgets are increasingly under pressure as governments feel *the economic pinch at home*. Judging from the tone of debate among finance ministers, cuts may be made in exactly those areas – research and technology – where an HDTV strategy might find a home.

Britain believes the Commission has not made a sound business case for spending Ecu850m

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Banks are frustrating UK strategy for growth

From Mr Paul Hudson.

Sir, Despite welcome reductions in bank rates, the banks are still charging 17.5 to 21 per cent for overdrafts. They are frustrating the government's strategy for growth by refusing to pass on the benefits of reduced rates to customers. In Saturday's papers First Direct announced that with base rate reduced to 7 per cent, its overdraft rate is unchanged at 17.5 per cent. What is the point of increasing its margin at a time when the country desperately needs low real rates of interest? It is now charging overdraft customers 250 per cent of base rate.

When are the banks going to realise that reductions in base rates are meant to benefit the customer, not the banks?

Paul Hudson,
29 Carr Lane,
Rawdon,
Leeds,
West Yorkshire LS19 6PD

US needs no prod in pursuit of 'worthy' farm subsidy goals

From Mr Dean Kleckner.

Sir, It has been dismaying to read reports from Europe that blame the US farm lobby, and my organisation, for sabotaging an agreement on oilseeds during talks in Chicago on November 2 and 3. Those observers who misread the US government's resolve on this dispute would do well to consider the FT's proposed solution ("How to escape the trade war", November 10), which outlines how the EC stumbled to the brink of a trade war. Our government is simply upholding the principles of the General Agreement on Tariffs and Trade and of the Uruguay Round, in which both the EC and US committed themselves to substantial and progressive reductions in farm subsidies. Our officials need no prodding from farm organisations to pursue such worthy goals.

In Chicago, there were no hordes of American farmers marching, shooting fire-crackers and building bonfires, as European farmers did in December 1990, when the Uruguay Round first unravelled. Our government and farmers have shown much patience with the EC, but it is spent. It does not take any nefarious lobbying to do what is right.

Dean Kleckner,
president,
American Farm Bureau Federation,
225 Touhy Avenue,
Park Ridge,
Illinois 60068, US

Convincing argument

From Mr Thomas Welsh.

Sir, Your leader "Independence for the Bank" (November 12) makes a very convincing case. To a growing body of people in the UK it is becoming unacceptable for monetary policy to remain a political tool in the hands of politicians.

Our record since the second world war, characterised as it has been by violent fluctuations in the economy, should convince the most sceptical that the time has come for institutional change. Without an independent central bank there is little hope of our achieving the stability essential to the prosperity of industry; and without a sound industrial base we are all dead, economically speaking.

Thomas Welsh,
21 Bede House,
Manorfields,
London SW15 3LT

Inflexibly invisible

From Prof Alexander Kennaway.

Sir, I am just off to Russia on *business for some weeks. I am* taking £2,500-worth of personal computer equipment, and I needed it to be insured against theft etc. I asked my insurance company and travel agents, which all declined because it was for business purposes. A *leading* Lloyd's broker could do no better.

No one would move from the inflexibility of the standard form of medical and travel insurance.

British? Yes; Service? No; Invisible – Absolute!

A Kennaway,
Department of Mechanical Engineering,
Imperial College of Science and Technology,
Exhibition Road,
London SW7 2BX

Moving a challenge from cities into the regions

From Mr David Grayson.

Sir, A number of our member companies regard City Challenge as one of the recent successes of the government. This has involved allocating some of the urban programme budget on a competitive basis. To succeed, local authorities had to present comprehensive, five-year regeneration strategies for (say) a housing estate. *Only those bids which are* jointly developed and owned by local business and community organisations succeeded.

While it is too early to judge the long-term impact, City Challenge has already encouraged better dialogue and co-operation between government, local authorities, business and the community.

In the current, difficult economic situation, many businesses and local authorities want to work together to improve local economic conditions.

Why not adapt the City Chal*lenge precedent and pilot a* "Regional Challenge"? This would involve concentrating planned expenditure, for example, of the new Urban Regeneration Agency and Michael Heseltine's One Stop Shops for business support, on those areas which have "got their act together".

"Regional Challenge" would reward those areas where business-led organisations such as the Training and Enterprise Councils, Chambers of Commerce and local enterprise agencies, together with local authorities, have developed a *common strategy and plan for* economic regeneration.

David Grayson,
Business in the Community,
5 Cleveland Place,
London SW1Y 6JJ

Blame is irrelevant – pragmatism is the answer

From Mr Ian Stern.

Sir, Mr Jimmy Airlie's letter (November 11) seems to address only part of the problems which his union's members face (I quite agree that productivity gains should be rewarded, though not to the extent that the reward reduces future productivity). As Mr Airlie points out, car workers have been affected by declining new car sales; however, Mr Airlie should realise that this is not the fault of Ford, or other manufacturers, let alone his members, and that not only Ford's workers but also their shareholders will have to share the pain of reduced sales, through (respectively) less jobs and less pay, and less share value and lower dividends.

As for blaming the government for "economic mismanagement", surely Mr Airlie can see that laying blame is irrelevant – we all end up paying – and that there can be no part of the population which can say "It's not my fault" and carry on as before. If he, and others of like mind, adopted a more pragmatic approach the economy will stand more chance of recovering.

Ian Stern,
97 Greencroft Gardens,
London NW6 3PG

Multilateral trade proposal must not be forgotten in Gatt talks

From Mr Martin Griffiths and others.

Sir, The struggle over the Uruguay Round of the General Agreement on Tariffs and Trade between the European Community and the US continues. Yet while the detail of agricultural subsidies receives extensive coverage, an accompanying proposal to create the new Multilateral Trade Organisation (MTO) has been given scant attention. As representatives of leading environment and development organisations in the UK, we urge immediate action to rectify this.

We are extremely concerned that the proposal for an MTO which would govern some $6,000bn of world trade – or over a quarter of the world's GNP – has been published in an ambiguous and flimsy annex to the Gatt draft final act, and without the benefit of full public debate. As it stands, the MTO will simply come into being on completion of the Uruguay Round.

We recognise the need for new institutional arrangements governing world trade. The Gatt is not equipped to deal with the increasing complexity of trade. However, the current MTO proposal just institutionalises many of the faults inherent in the current system of trade. A new trade institution must be equipped to ensure that trade contributes to the protection of the environment and human health and the eradication of poverty.

The MTO should incorporate a legal commitment to sustainable development and mechanisms to integrate trade with environment and development policies.

Without these, the social and environmental costs of any boost in trade will be intolerable.

We believe that such critical issues merit wide public debate. We therefore ask for the government to give full publicity to the text of the proposed MTO, and urge parliament to undertake a full debate on the setting up of the MTO before the completion of the Gatt negotiations.

Martin Griffiths, *director, Action Aid*; Michael Taylor, *director, Christian Aid*; Andrew Lees, *campaigns director, Friends of the Earth*; Edward Mayo, *director, New Economics Foundation*; David Jones, *associate director, Oxfam*; Tim Lang, *director, Parents for Safe Food*; Maria Elena Hurtado, *director, World Development Movement*; George Medley, *director, World Wide Fund for Nature-UK.*

OBSERVER

Speak and be damned

■ Small explosion on the international conference circuit. Euromoney has been forced to cancel a high-profile shindig in Athens today.

The conference, "Greece – an emerging market", was sponsored by Midland Bank, together with the Union of Greek Banks, Salomon Brothers and Lockheed Aircraft Service Corp. More than 500 had planned to attend. However, some of the participants suddenly got the jitters after a Greek daily, Imerisia, claimed that Euromoney had invited international businessmen to invest in the former Yugoslav republic of Macedonia.

Despite frantic last-minute lobbying, the keynote speaker, Economy Minister Stefanos Manos, pulled out and so did Stalios Argyros, president of the Greek Industrialists' Federation, who was to chair the meeting.

Euromoney has denied Imerisia's allegation, but stressed that it was its "inalienable right and duty" to write about areas all round the world; it had planned to write about Macedonia in a forthcoming issue.

Euromoney's timing was a trifle tactless, considering that the Greeks *are fighting a diplomatic* battle to prevent international recognition of Macedonia under that name. Feeling runs high in Athens; anyone who forgets to preface Macedonia with the words "former Yugoslav republic of" is in for a long lecture, covering almost 2,000 years of Balkan history from Alexander the Great to Yugoslav communism under Tito.

Pas ici

■ Place your bets, please, for the new name for ICI's soon-to-be-spun-off bioscience operation. Since the demerger was first mooted back in July various nicknames have been tried out, ranging from Baby-Bio to Good-Bio.

How about calling it Mond? The name has an international feel to it and Sir Alfred Moritz Mond, first Baron Melchett, was one of ICI's founders in 1926. Problem is that Brunner Mond, ICI's soda ash business, was sold to a management buy-out team last year, so there might not be enough Monds to go round.

Some variation on Nobel Industries, another of the founding companies, would also have a nice ring to it but might be confused with the eponymous Swedish chemicals and explosives group. United Alkali Company and British Dyestuffs Corporation, the two other founding companies, hardly fit the bill for a high-tech bioscience company.

Sir Denys Henderson breaks the news tomorrow. Bet it has Bio in the name even if it won't have ICI.

Punters

■ Cambridge University's recently-launched glossy "Cam" magazine is no doubt an attempt to stoke up US-style loyalty to the alma mater so that it can milk its richer alumni for contributions.

The question is whether some of the more distinguished potential *recipients from* the worlds of business and finance will have much money to spare. An advertisement at the back of the latest issue plugs an invaluable tome for that same audience: "How to survive an Inland Revenue investigation".

Enemy message

■ Russia launched an unprecedented assault on the United States yesterday by putting into orbit a satellite bearing promotional material for its emerging private sector.

The sputnik, carrying a message

from President Boris Yeltsin, was launched from the once top-secret military site of Plesetsk.

Its estimated arrival time in the Pacific Ocean, near Seattle, is November 22 – just in time for the US Thanksgiving holiday on November 26. If the plan works, (a big if), the sputnik will be brought ashore by the Russian Pacific fleet.

But rather than a turkey, it will be carrying 19 containers of adverts for Russian goods and a cut-glass replica of the Statue of Liberty. The exercise is said to cost $200m – funded entirely by Russia's new businessmen.

If true, it seems a strange investment for a country which is strapped for cash.

Family minder

■ Is Sir Christopher Harding, the ex-boss of British Nuclear Fuels, being lined up for the chairmanship of Newarthill, the loss-making family construction business of Lady Thatcher's great buddy, Lord McAlpine?

It would *make sense*. Sir Hedley Greenborough, the current chairman, is over 70, the rest of the McAlpine family is getting on a bit, and Sir Christopher knows more than most about how to preserve family businesses. For nearly 20 years he has kept an eye on Lord Hanson's family transport business.

If he can satisfy Lord Hanson he should be able to satisfy 50-year-old Lord McAlpine who, despite the retirement of his heroine, still seems more interested in politics than running the family business.

He has just published The Servant, which has been described as a bible for Machiavellian right hand men, and is dedicated to "the most magnificent Baroness Thatcher...from one of her many servants, who believes she could have been better served".

Sir Christopher, who has just joined the Newarthill board, refuses to discuss his future role but his experience will come in handy. No one is suggesting that Newarthill is in dire financial straits. But in the three years since the McAlpine family bought out the minority, at a multiple of 38 times earnings, the company has lost over £50m.

Unlike its quoted brother, Alfred McAlpine, private companies like Newarthill cannot rely on using other people's money, via public rights issues, when they run short of cash.

Open house

■ How timely. The Department of Trade and Industry is holding a one-day seminar – A practical guide to UK export controls – on Friday.

The morning session will explore such delicate questions as Why Export Controls?, while the afternoon session will involve a series of clinics where officials from the DTI, Ministry of Defence and HM Customs will dish out expert advice.

Sounds like an ideal refresher course for a few of Her Majesty's ministers.

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The Novecento with perpetual calendar and moon phase display by IWC.

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Fears of a 'jacquerie' by farmers hamstring French government

History lesson tempers attitude to a Gatt deal

By David Buchan in Paris

A *jacquerie* is what the French government fears would be the result of a Gatt farm trade deal on American terms.

The term has nothing to do with Mr Jacques Delors, the European Commission president. He, so far, is considered in Paris to have done his best to hold the line against any reduction in farm output beyond this summer's reform of the Common Agricultural Policy. It refers, after the first *jacquerie* or revolt by peasants (dubbed *les jacques*) in the 14th century, to the historic tendency of French farmers to show their discontent in very public ways.

They may not burn down chateaux these days, but are highly effective in leaving their tractors across road and rail lines and disrupting traffic, as they showed for several weeks after EC farm ministers agreed severe price cuts and set-aside requirements.

After surviving a censure motion in parliament by just three votes, the government introduced a national aid package to appease the farmers. This gave a reduction in tax on farming land, tax incentives for producers of crop-based fuels, and debt relief on the heavy investment which French farmers have made in recent years to intensify their production.

If there is one element of consensus between France's fractious political parties, it is that the country cannot go beyond the CAP reforms to which it has already agreed. Every French political party draws, or claims to draw, support from rural areas.

With its poor opinion poll showing, and its secretary-general about to be impeached in parliament over the Aids-blood case, the ruling Socialist party has enough problems in the run-up to next March's legislative elections without provoking another *jacquerie* by concessions in the General Agreement on Tariffs and Trade.

Indeed, its survival until March depends, to a large extent, on keeping in with the Communists who voted against it over CAP reform in the summer.

Nor is there any reason to believe that, in the likely event they win the March election, the centre-right parties forming France's next government will want to be any more conciliatory on the Gatt issue. The neo-Gaullist RPR party is especially strong in the "monde rural".

So widespread is the sympathy for farmers that even industrial groups with everything to gain from an overall Gatt deal dare not be seen to criticise France's farmers.

A senior member of the Patronat employers federation admitted last week that his association had "a little problem of expression" in trying to word even the most anodyne of statements on the Gatt.

But President Mitterrand's France is not that of General de Gaulle, who in 1965-66 boycotted the Community in a row largely over EC agriculture. Indeed, Mr Mitterrand last week acknowledged that he would be very worried if France were to be isolated in the EC.

Ashley Ashwood
Under fire: Chris Patten (left), governor of Hong Kong, and Douglas Hurd, UK foreign secretary, after meeting in London yesterday. In Beijing, Mr Patten was attacked by China and accused of challenging Chinese sovereignty and of seeking to perpetuate the division of the Chinese people Report, Page 4

Political roots run deeply through rural areas

By William Dawkins in Paris

THE existence of powerful agriculture lobbies in France does not fully explain why the government is so sensitive to farmers' demands.

The make-up of the population does. Just over 6 per cent of the French civil workforce are farmers, nearly three times the proportion in the UK and double that in the US, according to Insee, the state statistics agency. About a fifth of the population makes a direct and indirect living from farming.

All mainstream political parties thus have rural roots, or are at least in touch with a provincial audience, because any politician with national ambitions traditionally needs to nurture a local powerbase to maintain prestige. Accordingly, national politicians, both right and left, tend to hold local jobs as mayors or regional councillors on top of their national mandates.

Examples include Mr Pierre Bérégovoy, the prime minister, also known as mayor of Nevers, or Jean-Pierre Soisson, the agriculture minister, who continues to be mayor of Auxerre in his spare time.

Among the formal lobbies, the group that counts is the Fédération Nationale des Syndicats d'Exploitants Agricoles, which counts 600,000 of France's nearly 1m farmers as members.

Officially, the FNSEA is apolitical, but it tends to reflect conservative views, if only because of the right's traditional strength in the French provinces where conservative parties control 75 out of 96 departments.

One of the FNSEA's former presidents is Mr François Guillaume, agriculture minister in the 1986-88 Gaullist government.

The FNSEA, dominated by the prosperous cereal farmers of the Brie and Beauce in the Paris basin, grudgingly accepts Common Agriculture Policy reforms and so has concentrated on negotiating compensation terms.

However, it cannot accept any production cuts that go beyond the EC reforms, which explains the FNSEA's tough stance on Gatt and the oilseeds row.

Another lobby group that counts, in vociferousness though not in numbers, is Coordination Rurale, an extreme splinter organisation that broke away from the main farm unions late last year in protest against their moderate stance on EC farm policy reform.

The CR has only 10,000 paid-up members, but proved itself last summer adept at organising all kinds of sabotage, from blocking motorways and rail lines to spraying manure at government ministers' cars. Typically, it represents fruit, vegetable and livestock smallholders in the south-west, less worried about the Gatt talks than are the big industrial farms of the north. So for once, the CR has not taken to the barricades.

However, different their interests, France's farm lobbies are driven by the same fear of the gradual death of the countryside. Between 1982 and 1990, the farm population fell by 500,000, mainly due to the retirement of smallholders unable to find a successor.

More prosperous neighbours snapped up the land they left, so that the average size of farm rose from 23.4 hectares to 28 hectares over the same eight-year period.

In theory, this means France should benefit from EC farm policy reforms because they favour the most efficient producers.

But the social problem of a declining farm workforce remains. Insee believes that the number of French farmers will fall by another 30 per cent to 700,000 by the end of the decade, irrespective of the impact of the EC reforms and the outcome of the Gatt talks.

No French government will want to be held responsible for worsening the damage.

THE LEX COLUMN

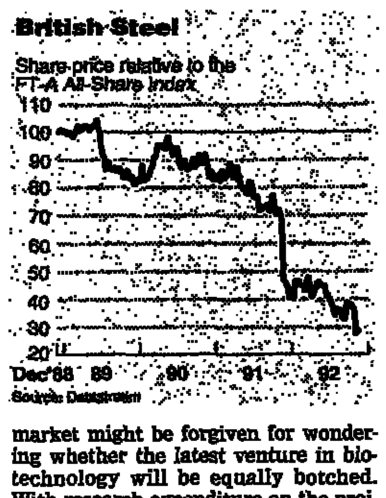
A taste of cold steel

Metal fatigue was evident at British Steel yesterday. The strain showed not so much in the interim figures, which were badly affected by reorganisation and redundancy costs, but in the management's repeated complaint about the state of the European steel market. Cut-price supplies from eastern Europe and over-capacity in the EC have further weakened prices in the last few months. These supply problems are now being exacerbated by the downturn in Germany, notably in car manufacturing, and another round of destocking.

British Steel and private sector steelmakers in Germany may be looking to the EC to stop subsidies to inefficient state-owned EC manufacturers. However, ministers are likely to prefer to act against the soft target of eastern European imports than to address the politically sensitive problem of rationalising the EC's steel industry. Such import restrictions will at best buy companies a little time. British Steel, which was expected to be one of the big beneficiaries of devaluation, has already seen much of that gain eroded by weak markets.

Given such a tough outlook, the company is fortunate to have a strong balance sheet. Cash will continue to flow out of the company in the second half of the year as redundancy costs continue, but net borrowings should stabilise at a manageable £300m next year. While it is in better shape than many continental competitors, political uncertainty makes the shares hard to value. In the unlikely event that the EC acts to cut capacity, British Steel could find itself well placed. But if the haemorrhaging continues, the company has no nanny state to protect it.

FT-SE Index: 2679.6 (-17.9)



BOC

It is rough justice that BOC's effort to blaze a trail in financial reporting highlights what a hash it made of US home healthcare. Under old accounting rules a small book profit on the sale of Glasrock would have flattered yesterday's full year results. In fact the figures are overshadowed by an ugly £117m write-off of goodwill against earnings. Taken with historic profit figures for discontinued business – another innovation – and last year's reorganisation provision, Glasrock looks to have been a mistake on the scale of BOC's involvement with carbon graphite in the 1980s.

The broader question is whether BOC can make a better fist of its remaining healthcare activity. The market might be forgiven for wondering whether the latest venture in biotechnology will be equally botched. With research expenditure on the project running at only £8m a year, though, this is hardly the biggest threat. More immediately, competition from generic drugs in the US means that BOC's new anaesthetic, Suprane, will have to perform well just to maintain healthcare profits this year.

Conditions in industrial gases are no better than at the nine-month stage. The UK market took another lurch down in the fourth quarter. Japan is slowing and US demand is flat. All the more impressive, then, that operating profits from gases were 12 per cent higher once changes in exchange rates are stripped out. While earnings are clouded by the write-off and changes in presentation, BOC's promise to increase the dividend is backed by a formidable ability to generate cash. The company paid back debt last year despite an ambitious capital expenditure programme. The new-style cash flow statement should be one change in accounting standards which works in BOC's favour.

Interest rates

Bank shares have usefully outperformed the stock market since UK monetary policy was liberated from the ERM. Accordingly it is clearly of concern to investors if the current campaign against wider lending margins – a traditional accompaniment to falling interest rates – is sustained. Bank and building society balance sheets may be in desperate need of repair at the moment, but both types of institution are unusually sensitive to public criticism. Plenty of criticisms can be levelled at the banks at the moment but making excessive profits is surely not one of them. A strong banking system, after all, is a prerequisite for a strong recovery. The idea that lenders should reduce their rates exactly in line with base rates is in any case somewhat simplistic. Admittedly the endowment effect may not be what it was, given the fewer number of interest-free current accounts; the banks will presumably also have anticipated the impact of falling rates on their free capital by offsetting measures such as buying gilts. Nevertheless, as businesses themselves they are entitled to be mindful of their overall return on equity.

It could be that pressure to lower some lending rates – such as those on credit cards and unsecured borrowing – is successful. But on one front – competition from building societies – there may be some relief. Mortgage lenders such as the Halifax and Abbey National may appear to have been largely unscathed by recession in the housing market. However with the volume of bad debts expected to jump from £1.2bn in 1991 to perhaps £2bn this year, and with the cushion of mortgage guarantee insurance virtually used up, societies are vulnerable to another downward lurch in house prices. They too are anxious to widen margins, just in case.

Kingfisher

Innovation has not been Kingfisher's middle name, so the company is perhaps sensible to try out someone else's format for retailing office supplies. And in typically cautious style, Kingfisher's chairman, Mr Geoffrey Mulcahy, is opting for slow development and limited investment. Whether Staples' idea of businesses coming to out-of-town sheds to buy office supplies and equipment will catch on in the UK is an open question. Cosy buyers may prefer to sit in warm offices and deal with existing suppliers, so success will depend on persuading managements the savings are worth the extra effort.

That said, other retailers, such as WH Smith, see opportunity in this fragmented market. The main promise seems to lie with small to medium-sized corporate customers which cannot reap economies of scale. The gamble is that by late 1993, when Kingfisher's experiment is under way, small businesses may actually be able to afford new equipment.

Murderer

Continued from Page 1

ruption scandals and resignations of senior officials.

Judge Goldstone stopped short of declaring that the evidence proved the existence of an orchestrated campaign to undermine the ANC and foment violence, but he conceded that the documents provided "some evidence" of such activity.

Yesterday's revelations clearly suggest a deliberate strategy at senior levels of government to destabilise opposition groups such as the ANC. They cast serious doubts on Mr de Klerk's frequent protestations – repeated yesterday in a BBC interview – that the government is innocent of any involvement in violence.

The documents seized by the Goldstone commission, on the contrary, show that the army's top intelligence officer, General Rudolf Badenhorst, had employed a convicted double murderer, Mr Ferdi Barnard, to "compromise" ANC guerrillas by involving them in crime.

"For that purpose use would be made inter alia of prostitutes, homosexuals, shebeen (illegal bar) owners and drug dealers," the inquiry statement said.

Documents revealing the operation were seized when the commission, aided by the police, raided an operations unit of military intelligence.

Yesterday's evidence will increase pressure on Mr de Klerk the president to clear out top levels of the security forces before progress can be made on the successful installation of an interim government.

Italian sell-off plan wins IMF approval

By Robert Graham in Rome

THE credibility of the Italian government will hinge on the speed, transparency and depoliticisation of privatisation, according to the preliminary conclusions of the International Monetary Fund's annual mission.

The report, handed over yesterday, was released by Guiliano Amato's government to bolster its hand in what promises to be a major confrontation in parliament over privatisation.

The government's programme, proposing a radical reduction in the state's two-thirds control of the banking system and the eventual winding up of IRI, the largest state holding company, was delivered to parliament at the weekend.

Parliament now has 15 days to pass judgment on the programme, which seeks to raise L27,000bn ($2bn) for the Treasury and half as much again for recapitalising and reducing debts in the IRI companies.

The IMF mission report offers a cautiously encouraging assessment of the Italian government's 1992-93 fiscal packages, noting that there is "a very different climate" compared to "the sense of deja vu" last year. It says the quality and credibility of the adjustment process just initiated "will be greatly enhanced by privatisation".

Success will depend "upon the speed with which privatisation is begun, the transparency of criteria and procedures and the effective depoliticisation of the process".

The seriousness of the government will be judged by its willingness to take unpopular decisions, including the liquidation of companies, the report adds.

The IMF says pointedly: "Italy is now paying the price not only of past excessive borrowing but also of repeated failures to live up to its promises ... this government appears to be prepared to make a break with the past and, if action is sustained, it will be rewarded."

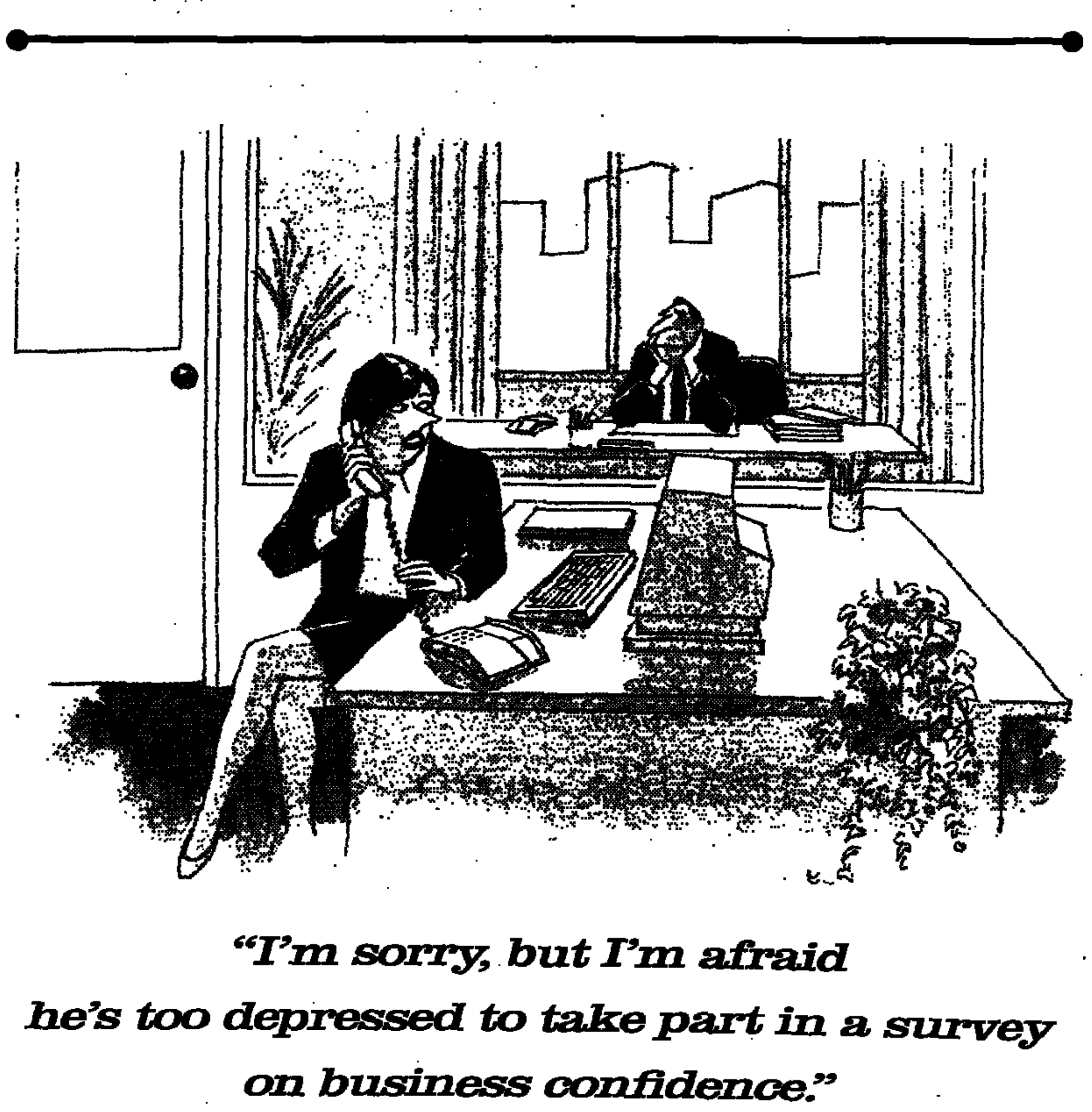
Fears over the liquidation of companies and the loss of jobs in the privatisation process yesterday provoked a warning from the three main trade union confederations.

A spokesman said the unions accepted privatisation as inevitable, but there was the risk of creating "disastrous" unemployment without a clear industrial strategy.

Union officials said 150,000 jobs were at risk, while entire regions like Sardinia were dependent upon the public sector for employment.

In contrast, Confindustria, the industrialists' confederation, warmly endorsed the privatisation programme while insisting the scope could still be much broader.

On the Milan stock exchange, the index rose by more than 2 per cent with sentiment encouraged by privatisation prospects.



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World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	18	64	Boulogne	R	10	50	Frankfurt	C	8	46	Majorca	F	18	64	Oporto	F	13	55	Tenerife	F	21	70
Algiers	R	15	59	Brussels	C	8	46	Geneva	C	8	46	Malaga	S	15	59	Oslo	Sn	0	32	Tokyo	S	21	70
Amsterdam	R	7	45	Budapest	R	9	48	Gibraltar	S	15	59	Malta	F	23	73	Paris	F	9	48	Toronto †	F	-4	25
Athens	S	19	66	Buenos Aires	F	22	72	Glasgow	F	7	45	Manila	C	31	88	Prague	R	6	43	Tunis	F	21	70
Bahrain	S	27	81	Cairo	F	23	73	Helsinki	C	-1	30	Melbourne	S	21	70	Reykjavik	F	2	36	Valencia	S	17	63
Bangkok	F	31	88	Cape Town	C	17	63	Hong Kong	S	27	81	Mexico City	C	21	69	Rhodes	S	19	66	Venice	R	9	48
Barcelona		–	–	Caracas	C	28	82	Innsbruck	R	5	41	Miami †	S	18	64	Rio de Janeiro	C	33	91	Vienna	R	5	41
Beijing	S	7	45	Casablanca †	F	18	64	Inverness	F	5	41	Milan	Dr	6	43	Rome	C	20	68	Warsaw	Sl	2	36
Beirut	S	22	72	Chicago †	C	1	34	Islamabad	C	22	72	Montreal †	S	-10	14	Salzburg	R	6	43	Washington †	S	-3	27
Belfast	F	6	43	Cologne	F	8	46	Istanbul	S	13	55	Moscow	C	0	32	S'Francisco †	F	10	50	Zurich	F	7	45
Belgrade	C	15	59	Copenhagen	R	3	37	Jakarta	R	31	88	Munich	R	5	41	Seoul	S	7	45				
Berlin	C	6	43	Corfu	C	15	59	Johannesburg	S	26	79	Nairobi		–	–	Singapore	F	31	88				
Biarritz	F	14	57	Dallas †	S	10	50	Lisbon	F	16	61	Naples	F	19	66	Stockholm	F	0	32				
Bombay	S	32	90	Dublin	S	7	45	London	R	7	45	Nassau	C	27	80	Strasbourg	C	11	52				
Bordeaux	C	13	55	Dubrovnik		–	–	Los Angeles †	F	14	57	New Delhi	S	27	81	Sydney	C	20	68				
				Edinburgh	C	6	43	Luxembourg	R	7	45	New York †	S	0	32	Taipei	C	23	73				
				Faro	F	18	64	Madeira	C	18	64	Nice	F	14	57	Tangier	C	15	59				
				Florence	F	19	66	Madrid	S	12	54	Nicosia	S	22	72	Tel Aviv	F	23	73				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

Fierce dogfight rages over the North Atlantic
Page 3

BUSINESS TRAVEL

Rhythms to drive away the blues of jet lag
Page 7

Travel has become less fun and less safe and, as companies seek to cut costs, it is less comfortable too, says **Michael Skapinker.** Nevertheless, despite advances in technology, there is still a need to meet customers face-to-face

The going gets harder

First class service: airlines are offering better facilities on the ground and in the air to woo corporate customers ***(Picture: United Airlines)***

TO MANY who only step on to an aircraft to fly to their two weeks in the sun, the life of the business traveller must seem enticing: first class seats, luxury hotels, and a different city every week.

Those who spend lonely nights in identical hotel rooms crunching peanuts from the minibar and watching inferior television in languages they do not understand know that the reality is different. The excitement of new cities, taxis and people certainly exists, but there is little time for sight-seeing and the novelty soon wears off.

For many, business travel is not fun – and is probably now less fun than it was. The collapse of communism in eastern Europe has taken travellers to cities they have never visited before, some of them beautiful. But the infrastructure needed to support business travel is often not there.

Throughout the world, travel is now less safe than it was. There are not many cities in which travellers can confidently set out for a night-time stroll. For women travellers, the confinement to hotels is all the greater. One travelling woman executive said she had been attacked twice in recent years, once in Rome and once in Paris. In the Paris attack, the assailant was a policeman, ostensibly breaking up a demonstration.

Above all, in these difficult economic times, many travel in less comfort than they used to. The recession has resulted in companies looking at how much they spend on foreign travel and whether savings can be made. They can, and business travellers are living with the results.

"If you asked companies five years ago how much they were spending on travel they would look at you blankly. Now they can tell you, not quite to the last dollar, but almost," says Mr Anthony Keeler, chief executive of Business Travel International, an alliance of travel groups including Hogg Robinson of the UK and Kuoni of Switzerland.

Before the recession, flying first or business class and staying in luxury hotels were seen as perks of the job. Mr Keeler says: "When times are good and staff are in short supply, companies offer the sort of package that will attract people. It is different when times are tough and there are a lot of people out there looking for work.

"The travel authorisation process has become much tougher. In years gone by, it was easier to get a first-class ticket to Tokyo than get a new chair for your office. You have no control over the chair, or the desk, or the carpet that you have in your office. In this hard world, travel is now no different. One customer said to me: 'I don't want to spend a penny on travel – let's start from there.' Travel is a cost and, like any cost, it can be controlled."

A recent survey by Mori for Wagons-lits Travel found that nearly half of the 400 senior executives and secretaries surveyed said their companies were instructing travellers to use cheaper hotels and flights.

Mr Richard Lovell, Wagons-lits Travel managing director, says: "While there is belt-tightening and budgets seem to be reduced, travellers are learning to build business from the back of the aircraft."

Nearly 40 per cent of staff responsible for booking trips say their companies are sanctioning fewer business trips. About 30 per cent, however, say there has been no change in the number of trips taken.

Cost-cutting has resulted in some trips being shorter. To save money, however, some are staying away for longer, fitting more cities and appointments into each trip. Mr David Miller, director of Midland Securities Services, a division of Midland Bank, says he keeps his trips to the continent short. If he is travelling to New York, on the other hand, it seems a waste not to schedule meetings in Boston and other North American cities at the same time.

Mr Keeler believes that to compensate for the hardships, business travellers are receiving better service everywhere from hotel and airline staff who need to compete more keenly for customers. "There's a lot better understanding of where their money is coming from," he says.

Not all travellers agree. A senior London-based executive at Salomon Brothers says: "The only place that works properly is the Far East. Japan, Singapore, Hong Kong, and I would even include Australia, are in a class of their own.

"Eastern Europe is at the other end of the scale. So is Latin America. Western Europe is not as good as the Far East in overall service, efficiency and design of hotel rooms. The airlines in Europe are better than the hotels – I'm a big fan of British Airways.

"I find America worse than Europe. In many hotels in New York and Washington you don't even get minibars. And unless you come out with a serious tip on the first day you don't get good service."

She adds that hotel rooms outside the Far East are still not designed for women travellers. "There's a shaving socket, but there's nowhere to plug in your hair dryer. You find me a woman who uses the hotel hair dryer – they don't. There's nowhere to plug in a contact lens boiler either. In the Far East you find facilities like that."

In a Tokyo hotel she told the management that she needed a hairdresser before her appointments started and not later in the day. The hotel opened its salon in the early morning.

Despite the drive to cut costs, few business travellers believe that the fax machine, telephone or video conferencing facilities have proved adequate replacements for travel. It is still necessary to meet customers face-to-face.

Mr Miller said, however, that he had noticed an increased tendency to plan trips properly in advance. "Our own sales team used to make trips that involved cold-calling. We're now making sure that more of the earlier work is done over the phone and by correspondence. Now, flying out to visit someone is something you do further down the line rather than as a first step. There's much more planning and much more asking 'what do I want to achieve from this trip?'"

Arriving at face-to-face meetings with more advance information about a customer's requirements has proved beneficial, he says, which raises the question of how many of the changes in business travel over the past two years will turn out to be permanent.

The Wagons-lits survey found that about 30 per cent of companies do not expect to increase their business travel in the next two to three years. Of those who did, 30 per cent expected to be doing more travelling to the US, 29 per cent to the Far East, 24 per cent to France, 22 per cent to Germany and 19 per cent to eastern Europe.

Mr Bill Kirkwood, sales and marketing director of Thomas Cook Travel Management, argues that now that companies have discovered they can drive down travel costs, they are unlikely to return to the easy-going days of the past, even when the recession is over.

Mr Miller has his doubts. "When the good days come again, it wouldn't surprise me if cost controls were relaxed, human nature being what it is."

IN THIS SURVEY

Fight to keep market share

Bruce Tranter: car rental prices are being driven downwards

Editorial production: Roy Terry

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International carriers are offering more services to maintain their share of lucrative business class traffic, writes **David Churchill**

Battle rages in the skies

BRITISH AIRWAYS' recent decision to spend some £80m – plus another £20m in advertising – to upgrade its Club World services on all long-haul routes is a clear example of just how seriously the world's airlines are wooing the business traveller.

As the recession shows no real sign of ending, so BA and the other leading international carriers are being forced to offer an increasing range of services and perks to maintain their share of lucrative business class traffic.

Everything from neck massage from a resident masseuse aboard Richard Branson's Virgin Atlantic aircraft through to luxury limousines taking executives from door to door are being used to win business.

But executives are not as easily persuaded by such blandishments as they were in the late 1980s. The reason, however, is not of their choosing: rather, it is a result of the decision by many companies to downgrade the class of travel for their executives. When a seat in economy class – or coach as it is known in the US – from London to New York costs a tenth of the business class fare, then it is easy to see why companies are increasingly instructing their executives to save money and fly in the cheaper seats.

For the airlines this is serious news: the yield from full-fare paying business class travellers is the most profitable part of the airline business. While this has been the case for many years it is even more important now as first class passengers are becoming increasingly scarce – only about one in every five first class seats is now sold at full fare – and economy class seats are being offered at heavily discounted prices.

Everything from neck massage aboard aircraft *through to luxury limousines taking executives* from door to door are being used to win business

Hence the importance for airlines of wooing corporate travellers. The battle is being fought in two ways: enhanced services on the ground and in the air; and by customer loyalty programmes for frequent flyers.

It is this second approach – frequent flyer programmes – that is currently at the sharp end of the battle for business. The practice of rewarding passengers for flying with a particular airline by giving them a chance to fly again for nothing was first used in the US market after deregulation in the 1980s. At first, it seemed a brilliant marketing idea, similar to the explosion of trading stamps in securing customer loyalty in the 1950s and 1960s.

But the drawback soon became clear: passengers flying free hit yields and margins with the inevitable result that many airlines were forced either into Chapter 11 administration in the US or out of business.

Yet when the British government adopted an "open skies" policy across the north Atlantic routes, the US airlines which jumped into the market – primarily American, Delta and United – all brought with them frequent flyer schemes. British Airways was forced to follow suit last year and award Air Miles for frequent flyers (who now qualify as members of its Executive Club scheme). Other European airlines have also had to join in.

The result has been twofold. For the airlines, it has meant that yields on certain flights have been hit further as a proportion of travellers are flying free. Every month, for example, some 25,000 people fly free on BA as a result of collecting sufficient Air Miles.

For the frequent traveller, however, the availability of such schemes has provided a welcome perk. But should they get the benefit of being able to take themselves and their families on holiday as a result of belonging to a frequent flyer scheme when the airline tickets have been paid for by their companies?

The dilemma is a difficult one for companies and individuals. Mr Bill Kirkwood, marketing director for Thomas Cook travel management, points out that a good corporate travel policy will identify a frequently used route and negotiate a favourable corporate rate with one carrier. "But a serious conflict of interest can occur if staff ignore the low corporate rate dictated by the travel policy and book a more expensive ticket that rewards them personally for their loyalty," he says.

Mr Kirkwood acknowledges that many executives see the perk of frequent flyer schemes as compensation for long periods away from home. "That accepted, it is still more cost-effective for the company to find a more direct way to compensate its high mileage travellers while at the same time making them keep to the most cost-effective travel policy."

In a class of its own: Richard Branson initiated a new section in Virgin aircraft for full-fare paying economy passengers. (*Picture: Tony Andrews*)

A recent survey carried out by Mori of corporate travel buyers on behalf of Wagons-Lits Travel found that just over half the 400 companies surveyed felt the benefit should return to the company rather than to the individual. Air Miles, however, neatly sidesteps this issue by refusing to allow companies to register for its system – only named individuals can apply for and receive the frequent flyer rewards.

Perhaps the only way such schemes may come to an end – apart from an airline being forced out of business by the heavy liability to fly passengers for nothing – is if the tax authorities decide to get tough. The perk is clearly taxable, but so far the Inland Revenue has taken no action.

The uncertainty surrounding the future of such schemes – and their potential cost to the airlines – makes improving service for business travellers a better bet to win customers.

BA has been in the forefront of many business class initiatives in recent years and has won a well-deserved reputation for its Club World cabins. Readers of Business Traveller magazine, for example, recently voted it the best airline overall.

What BA now plans to do is to offer Club World travellers more control over their journey, starting with its new Lounge Pavilion at Heathrow's terminal four. "Our research shows that passengers continue to feel stressed in airports," points out Mr Robert Ayling, BA's director of marketing and operations. "They want to be cocooned in a relaxing environment before getting on to a plane." The new lounge will be more like a hotel lobby than existing airport lounges, he adds.

In the air, BA is redesigning the 6,000 Club World seats on its 71 long-haul aircraft to give better back and leg support as well as making the "ears" on each side wider to give greater privacy. It is also installing eight-channel videos in the back of each seat to give passengers the freedom to watch what they want.

BA has been in the forefront of business class initiatives in recent years

BA is not alone in upgrading its in-flight services – Emirates, for example, is also installing seat-back videos – and other developments on the way include better in-flight telephone and fax facilities on long-haul transatlantic flights.

On the ground, most attention is being focused on improving the speed and efficiency with which executives can get from their office, on to the plane, and to their destination at the other end of the flight. Limousine transfers are now quite common, although they tend to be offered by the smaller airlines with fewer flights than the major operators.

Perhaps the most interesting development for business travellers whose travel budgets are being squeezed has been initiated by Virgin. This has been to create a new section on the aircraft, called Mid Class, for full-fare paying economy passengers who typically are executives. A full economy fare, which allows greater flexibility than discounted tickets, can often cost two or three times as much as the cheap fares. For business travellers forced to downgrade, however, travelling with the leisure passengers can be irritating.

Hence Virgin's move to offer a separate section with bigger seats and better check-in facilities for full-fare paying economy ticket holders.

As yet, the move is not being copied by the other airlines who still hope to lure travelling executives into the higher-yielding business class cabins. But if the recession continues unabated, then the pressure to downgrade may prove irresistible for some.

Jockeying for position

BRITISH AIRWAYS' decision to take over the ailing Dan-Air's scheduled European routes is just the latest jockeying for position among UK and European airlines ahead of the planned liberalisation of European air routes when the single market comes into force next year.

Virgin Atlantic's Richard Branson, for example, who pulled out of a deal with Dan-Air, is looking at the prospects for developing a European service to rival his long-haul operations to the US and Tokyo.

The key question, however, remains how far and fast the plans to de-regulate European air routes will come into effect – or will the determination by some national governments to protect their airlines make the changes more apparent than real?

The agreement reached by EC transport ministers last June has three main elements to it. It allows airlines of one EC country to establish airlines in other EC countries; it creates pricing freedom in theory, subject to certain restrictions; and will enable any EC airline the right to pick up traffic within one member state and carry it on to a second destination within that country.

For example, BA flying from London to Frankfurt will be able to pick up passengers in Frankfurt and carry them on to Berlin.

But, as with many EC developments, the proposed moves do not go as far as some airlines would have wished. A full "pen skies" policy, for example, would have allowed EC airlines the right to fly freely inside another EC country; this has been delayed until April 1997 at the earliest.

British Midland has been the most vocal in its opposition to the present restrictions on European air routes. In a recent report, it pointed out that 11 of the 15 busiest air routes in Europe continue to be served by the two respective leading airlines from each country, charging identical business-class fares and with almost identical schedules.

"The EC needs to back up its proposals with real teeth, by loosening the financial ties between states and their airlines and ensuring it has a mergers and acquisitions policy in place to prevent a further reduction in consumer choice," argued Sir Michael Bishop, BM's chairman.

EUROPE

BM estimates that British business travellers are paying more than £200m a year more than they need to because of the airline duopoly on principal European routes.

More competition and lower fares could prove something of a problem for European airlines, especially as they rely heavily at present on business class passengers to keep routes profitable.

BA's Club Europe operation, for example, earns the airline nearly half its European revenue even though Club passengers make up just a quarter of its total.

Moreover, there are clear signs that European business travellers are becoming increasingly unwilling to pay higher fares on short-haul routes. Both Lufthansa and Swissair, for example, have finally abandoned their first class cabins in Europe to concentrate on business class instead.

But even with improvements in service both on the ground and in the air, many executives are deciding to trade down and fly economy on short-haul European routes.

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FEEL THE CHANGE

POLISH AIRLINES

LOT

Tails up at Heathrow: over the past year the arrival in the UK of such dominant US carriers as United and American, plus the growth of Delta, has created a far greater challenge to British Airways than had seemed likely just a few years ago *(Picture: Glyn Genin)*

Leading carriers engage in fierce dogfight

NORTH ATLANTIC

THE busiest and most competitive segment of the business air travel market remains the north Atlantic routes between the US, UK and, to a lesser extent, continental Europe. The UK is by far the biggest European market for non-stop flights to and from the US, with one third of all transatlantic capacity using UK airports.

Over the past year the arrival in the UK of such dominant US carriers as United and American, plus the growth of Delta, has created a far greater challenge to British Airways than had seemed likely just a few years ago.

Competition from the two main US carriers – Pan Am and TWA – had been muted as these airlines increasingly lost out following the deregulation of air services in the US in the early 1980s.

BA's position was *also* strengthened by the strict controls on airlines using Heathrow Airport which, because of its vast numbers of connecting flights, is preferred by business travellers over UK gateways such as Gatwick and Stansted.

All that changed when United and American took over the routes previously operated by Pan Am and TWA and the government's "open skies" policy scrapped the controls on Heathrow.

The result has been a fierce dogfight between the principal carriers for business hit by the weak economies on both sides of the north Atlantic.

The extra capacity put on at a time of sluggish demand has inevitably led to fierce price discounting, although this has mainly been felt in economy-class seating rather than in business cabins.

Yet the paradox of north Atlantic travel at present is that at the same time as there are too many seats chasing too few passengers, many of the aircraft on key routes into North America are flying with almost full loads.

The reason, according to Mr Ron Spiers, publisher of the ABC World Airways Guide, is that discounting at the back end of the aircraft is forcing airlines to upgrade some passengers into business class cabins. The airlines, not surprisingly, deny this is happening.

Another factor, especially for the US carriers, is the widespread popularity of their frequent flyer programmes. These not only offer the chance *to fly free but also the* opportunity for regular travellers to upgrade their class of flight to business or first at no extra cost.

BA has been at a competitive disadvantage in *this* area, forcing it to offer its own Air Miles frequent flyer programme. Similarly, BA has also found itself at a disadvantage by not having access to the connecting routes within the US enjoyed by its rivals.

Hence its decision to acquire a stake in the troubled USAir airline, although this move may now be blocked by the new administration of *president-elect Clinton.*

While BA may have its problems, for executive travellers the competition in this key market is generally leading to rising standards of service and choice in the business class cabins.

But business class fares are not being subject to the same degree of price competition for the simple reason that the airlines cannot afford to do so.

If recession continues, however, then the battle over the north Atlantic can only intensify.

Flying high with cut-price seats

UNITED KINGDOM

IN SPITE OF the recession, demand for air travel within Britain has held surprisingly firm, albeit helped by continued *keen pricing which may* be good news for the passenger but has not helped profitability for UK airlines. The past year, in fact, has been characterised by a restructuring and rationalisation within the industry.

Earlier this year, for example, Brymon Airways and Birmingham European came together as Brymon European *Airways in a logical move* to make the best use of their resources, while British Airways restructured its regional operations under a new name, British Airways Regional.

Since Brymon European is 40 per cent owned by BA – and 40 per cent owned by the parent company of Denmark's Maersk Air – there would eventually seem to be further scope for Brymon to come fully within the BA fold.

But while BA remains the main player in the UK market – its shuttle services to big cities remain a profitable and successful part of its operations – there is a feeling in the industry that its eyes are rather more firmly fixed on international routes than on its regional networks.

The same might also be said of British Midland which has for some time made no secret of its expansion plans into Europe.

BM's problem has been the shortage of "slots" (take-off and landing allocations) at Heathrow to fuel this expansion, which forced it earlier this year to abandon its Heath*row-to-Liverpool route to free* the slots for European routes.

The shortage of slots at Heathrow for domestic services is an irritant to many UK business travellers who are forced to drive or go by train and tube to Heathrow simply because of the non-availability of a connecting service from their local airport.

*Thus the decision by sched*uled carrier Air UK to base its operations at Stansted Airport in Essex, even though the airport's growth has so far failed to live up to expectations.

Air UK believes it provides a different option for business travellers from that offered by either BA or BM, especially for those based in north or east London, the Midlands and the eastern part of the country where access to Stansted is more convenient than to Heathrow or Gatwick.

The airline flies more than 1,200 flights a week to 15 destinations within the UK. Not all of these are out of Stansted: for example, it has six flights every day from Norwich to Aberdeen.

Air UK, however, also operates to mainland Europe and has just expanded its service, for example, from Newcastle to Amsterdam following the demise of Dan-Air.

The outlook for business travellers: more of the same, but with perhaps the emergence of new niche carriers serving purely regional air*ports as the business climate* improves.

Ready to take off in a big way

ASIA-PACIFIC

WHILE the airline business travel markets in Europe and the US have had to face up to the impact of recession, the Asia-Pacific region has suffered relatively less from the west's economic problems and is regarded as one of the crucial growth markets of the 1990s.

Even the economic problems in Japan has not seemed to blight this demand, though a number of Japanese companies are following their western counterparts by seeking to downgrade the class of travel in an effort to cut travel costs. But the buoyancy of other parts of the region, such as Hong Kong and Singapore, is keeping the airlines busy.

The region's potential has inevitably led to extra capacity being put on *all routes by air*lines eager to capture a bigger share of a growing market. The extra capacity, however, is still some way ahead of the market – which has helped to keep prices in the premium cabins stable and led to discounts at the back of the aircraft.

Asia's largest international carrier is JAL which is developing its route network with Europe, such as a twice-weekly flight planned for next year between Tokyo and Milan. JAL is also increasing its capacity on its Asian routes with, for example, extra Boeing 747s being used on its China services.

JAL's supremacy on the international routes is increasingly being challenged by All Nippon Airlines which has benefited from the switch to Heathrow from Gatwick.

The problem for both airlines, however, remains the shortage of airport capacity within Japan. Big expansion projects at the Narita and Haneda terminals serving Tokyo, along with the new Kansai International airport off the coast of Osaka which is *due to come on stream in mid* 1994, will double capacity by the mid 1990s.

The Japanese carriers also face a strong challenge from other airlines in the region, especially Korean *Air, which* has carved out a niche for business traffic into Seoul from Europe and the US and has made inroads into the Japanese market.

What makes it difficult for western carriers in the region is the traditionally high level of service from Asian carriers such as Cathay Pacific, Singapore *Airlines and Thai* Airways International. All three have well-deserved reputations for the quality of their first and business class services and are constantly upgrading them to keep ahead.

Cathay Pacific, for example, earlier this year revamped its first class product and is understood to have similar plans for its Marco Polo club class service next year.

Readers of Business Traveller magazine, moreover, recently voted Singapore Airlines, Cathay Pacific, and Thai International as the second, fourth, and sixth best airlines in the world for business class services. Singapore's Changi airport was also voted the best airport in the world for business travellers.

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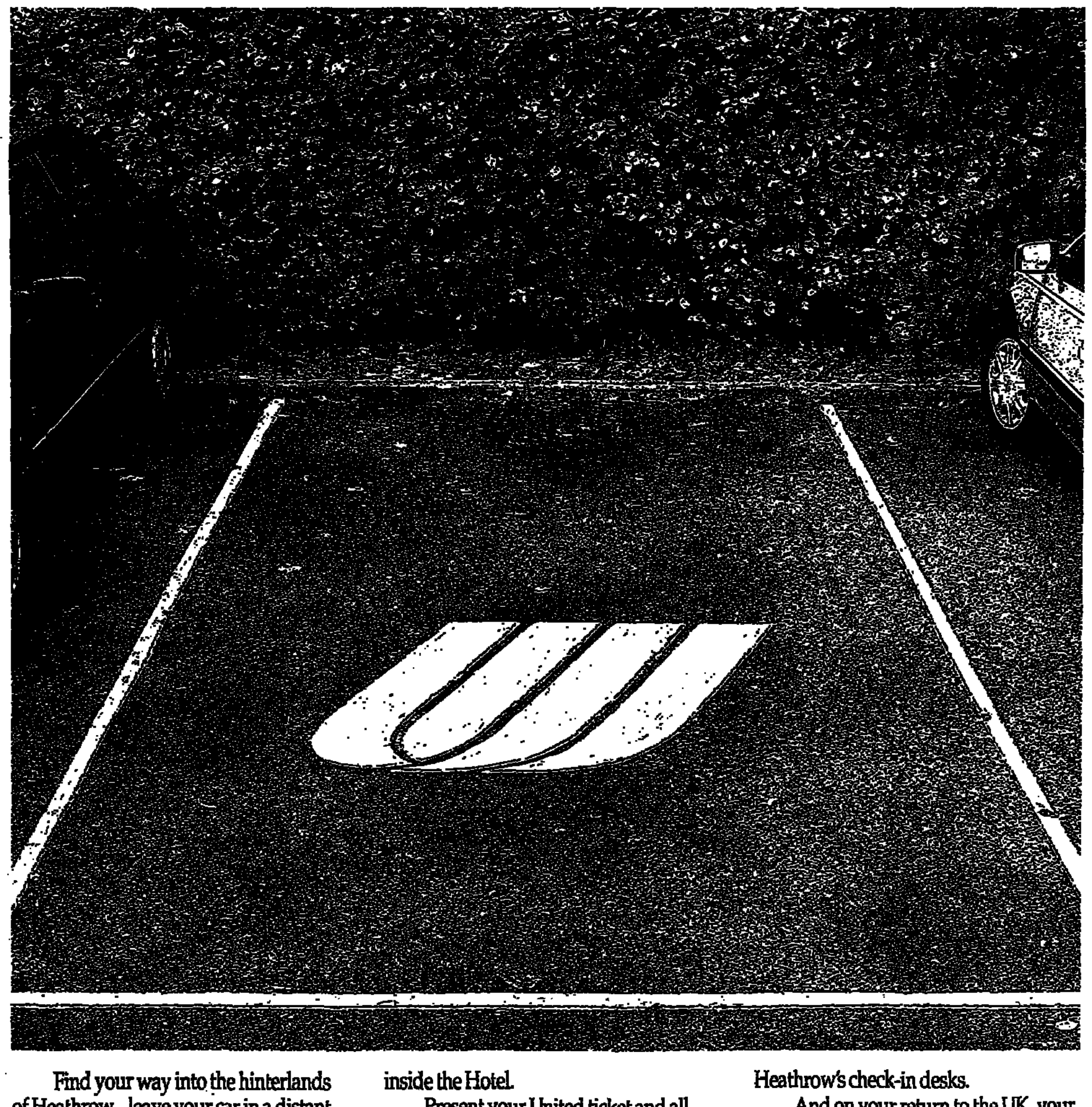

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UNITED AIRLINES

Traditional transport: the Star Ferry operates at a leisurely pace *(Picture: Glyn Genin)*

HONG KONG

Surprisingly conservative city

HONG KONG may be a miracle of peaks, steel and glass, but the first thing the business traveller needs to prepare for is the surliness of the city's antiquated taxi drivers. The scruffy-but-efficient Kai Tak airport is on the edge of the Kowloon peninsula, a 30-minute taxi ride away from the main business hotels on Hong Kong island.

English language and charm are at a minimum in the colony's taxis, but the fare compensates for this.A trip into the Central district of Hong Kong island will cost just HK$75 (US$10), including the toll for the cross-harbour tunnel.

There are three main districts for business hotels. Central is the core financial district and the Mandarin Oriental was always the traditional choice. But it is rapidly being superseded by more luxurious five-star offerings in nearby Admiralty and Wanchai, such as the austerely impressive Grand Hyatt and the sumptuous Island Shangri-la.

Alternatively, for those with a yearning for the past (an unfortunate preference in such a modern city) there is the grand old Peninsular, located a short Star Ferry ride from Hong Kong island, at the tip of the "Golden Mile", the principal tourist shopping district that runs along Nathan Road.

Hong Kong is blessed with a remarkably cheap and efficient transportation system. Taxis are prevalent and inexpensive. The Mass Transit Railway links the main urban areas of Hong Kong Island and connects with the tourist and residential centres of Kowloon, with an efficiency which will shock the European visitor.

The more traditional Star Ferry and Hong Kong island tram system continue to operate at a more leisurely pace for $HK1. The main railway station is in Kowloon, with trains heading to the New Territories and the border, or through to Guangzhou (Canton).

Hong Kong is renowned for being the Mecca for Chinese cuisine, but it offers a wide variety of food. For the businessmen who wants to be where the action is, the favourite destination for the "power breakfast" remains the Mandarin Grill. At lunch-time, to rub shoulders with the Chinese tycoons, go to Fook Lam Moon, in Wanchai. It offers excellent though pricey Cantonese food, but do not expect either decor, or knives and forks.

For a glimpse of the expatriate Taipans, you should angle for an invitation to the Jackson Room at the exclusive Hong Kong Club. In the evening, Karaoke Bars have become *de rigueur* and Hong Kong offers every range of the spectrum from glitz and fountains to sheer sleaze.

Wanchai still has a range of "girlie" bars, housing remnants of the Vietnam rest and recreation era. Tsim Sha Tsui offers stadium-sized "Hostess Clubs", including the famous Club BBoss (formerly Club Volvo), where you are driven to your table in a pink car.

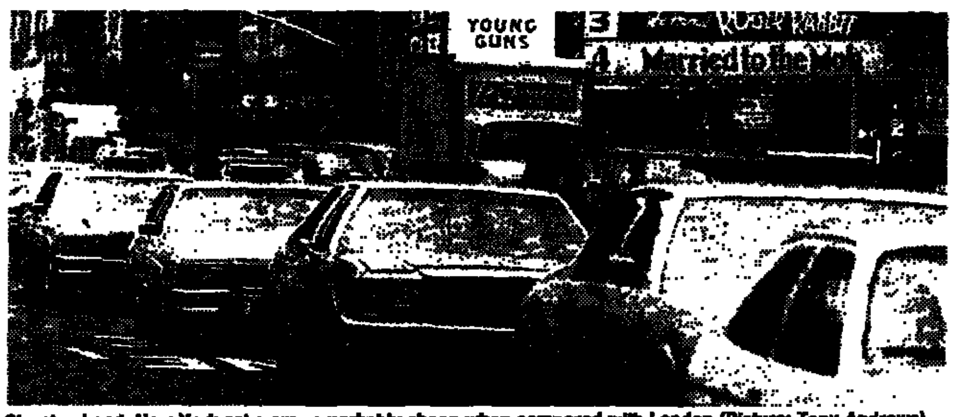
A more relaxing evening could be spent taking the Peak tram (a funicular railway) up to the Peak Cafe, where the views and food make a magnificent combination. For a western-style night club, JJ's at the Grand Hyatt is now in vogue.

Hong Kong is a surprisingly conservative city; for business, a suit and tie are an essential penance, even in the height of Hong Kong's humid summer. Another necessity is a stack of name cards.

Simon Davies

NEW YORK

Some of the glitz has faded



Streets ahead: New York cabs are remarkably cheap when compared with London *(Picture: Tony Andrews)*

NEW YORKERS still like to think of their city as the brashest place in America, but when Los Angeles went up in flames earlier this year, New York started to seem like a kinder, gentler city.

Recession has wrought subtle changes in Manhattan. Some of the glitz and glitter has gone, done in by the loss of thousands of highly-paid jobs. But the city's spirit remains remarkably resilient.

Some things have not changed. The business climate may be difficult, but the pace of life is as frenetic as ever. As a result, there are still too many people trying to cram too much into a day and visitors should be prepared to have meetings unceremoniously delayed or cancelled.

With the number of homeless in New York now swollen to about 80,000, begging has become something of an art form. Requests for donations to the United Negro Pizza Fund (a play on the United Negro College Fund) are par for the course, as are recitals of bad poetry. Perhaps the most original, and annoying, is a musician who uses his saxophone as an instrument of torture, squawking loudly on crowded subway cars until the captive passengers pay him to stop.

The recession has not relieved the city's perennial traffic jams. Traversing Manhattan at mid-day or rush-hour is still a nightmare. The most reliable form of transportation is walking, if the distance is manageable. For greater distances, the subway belies its reputation by being reasonably fast and safe.

Otherwise, cabs are comfortable and remarkably cheap when compared with London. Unlike London, however, cab drivers do not need to know their way around the city before getting behind the wheel. Nor do they need to speak English.

For the business traveller on a pre-recession expense account, the Carlyle is the *crème de la crème* of luxury hotels in a city bursting with fine lodgings. Other top dollar options include the Lowell, the Pierre and the Waldorf-Astoria.

Room rates at the Royalton and Paramount, both refurbished by French designer Philippe Starke, are surprisingly reasonable given the abiding trendiness of the hotels. Although the bedrooms tend to be small, the public rooms provide hours of entertainment and views of some of the most beautiful people the city has to offer.

For those travelling on a more moderate budget, the Algonquin, on West 43rd Street, is one of the city's more charming large hotels, although the service is less reliable than at some of the chains. The Esplanade, on West End Avenue and 74th Street, has reasonable rooms at reasonable rates.

For longer stays, the Surrey House on 76th Street and Madison Avenue, or the more economical Embassy Suites Hotel on 47th and Broadway, provide reasonably priced bedroom-and-lounge suites.

At the lower end of the market, the Days Inn on 57th Street and Ninth Avenue is the most cheerful option.

Eating out remains an abiding pleasure in New York, with enough variety to accommodate every palate and wallet. Recession has made it possible to get a last-minute table at Lutece, although advance reservations are still recommended. Other top-end favourites include Bouley, Auerole and Arcadia.

With tens of thousands of restaurants in the city, it is worth asking friends or colleagues for recommendations. Or pick up a copy of the amusingly idiosyncratic Zagats restaurant guide, which conveniently lists restaurants by price, location and type of food.

It is also worth checking the $19.92 lunch specials, which were introduced during the Democratic Convention and are still to be found at many of the city's better restaurants.

After hours, New York still offers a plethora of theatre, film, music and art. But it is the oddities that give the city its quirky character. Visitors in the summer should look out for the weekly screenings of silent movie classics, complete with live organ accompaniment, at the Cathedral of St John the Divine, near Columbia University on the Upper West Side.

Other New York institutions include the Knitting Factory, home of jazz tuba players and unconventional poets, which the New Yorker describes as "the club most likely to feature an electric-rake player . . . it's like a frat house for the avant-garde."

New York is still a Mecca for jazz fans. Unfortunately, many of the best acts go to the Blue Note, perhaps the most overcrowded, over-priced, soulless club in the city. Apart from the quality of the music, the Blue Note's main appeal is its small size. Music-lovers with a limited budget should sit at the bar. Other options include Sweet Basil and Village Vanguard.

The jury is still out on the editorial content of the new New Yorker, but the listings section remains fairly reliable. New York magazine has a more extensive selection.

Karen Zagor

Cafe society: Parisians take a break to gossip, read or watch the world go by

PARIS

Easing the difficulties

PARIS can seem a difficult city in which to do business because neither it nor its inhabitants like making concessions to foreigners.

But there is no need to be dismayed by the off-handed approach of average Parisians, or by the city's famous traffic jams.

The visiting business traveller can easily manage by following three general tips – for getting around, finding hotel accommodation and for eating.

Transport: Wherever possible, travel by metro. This is an efficient and very cheap way of avoiding the hair-raising experience of Paris traffic, even though taxis are also cheap by European standards. Within the city boundaries, a metro stop is never more than 500 metres or so away and trains pass every 90 seconds at peak hours. This means you can guarantee to cross the city in around 20 minutes. Few taxi drivers can legally beat that, at least not in business hours.

That leaves you with the problem of finding your way to meetings by foot from your metro stop. The best map is the pocket version of the aptly named L'Indispensable, available in stationers everywhere.

The principle of Paris street lay-outs is simple: numbers ascend in the direction of the flow of the Seine (east to west) in streets parallel with the river, or start with low numbers near the river to high ones further from it, in streets perpendicular to the Seine. In both cases, odd numbers on the left, evens on the right.

Hotels: Avoid the standard international chains – that would be a waste of a visit to Paris and could damagingly indicate to French business contacts that you are out of touch. It is possible to put yourself up with style and taste in almost any price range, from the 1,400 hotels in the city.

To start at the top, there is the Ritz in Place Vendôme

> Within the city boundaries, a metro stop is never more than 500 metres or so away

(former home to Hemingway and Coco Chanel), Plaza Athénée in Avenue Montaigne for the better sort of media folk, or the Crillon, next door to the US embassy on Place de la Concorde for glitterati of all types.

For more sensible budgets, the recently refurbished Montalembert, just off rue de Bac on the left bank, is admired by the designer crowd, or there is L'Hôtel, a temple of Art Deco in rue des Beaux Arts, where Oscar Wilde eked out his last days. Pavillon de la Reine, near the fictional site of Inspector Maigret's flat just off Place des Vosges has great charm.

For travellers paying for their own accommodation, the best strategy is to go for one of the several score of picturesque small hotels around the back streets of Saint Germain or on the Ile Saint Louis.

Food: Choosing a restaurant suited to your guests' taste and your own budget is probably easier than in most cities, because more detailed guide books have been written on eateries in Paris than most European capitals.

The key is to leave enough time to do some homework. The Michelin rosette system is quite a good guide to quality, and accurate on prices, though it is a good idea to get a second opinion from another good guide, like the – often more critical – Gault Millau. Any good hotel should have both volumes.

Any hotel proprietor worth his salt will be happy to provide advice, because food is a serious subject in Paris.

Here are a few personal favourites:

- Le Grand Vefour in Palais Royal, for a lovely 18th Century interior and a menu that more than merits its two Michelin rosettes;
- Chez Pauline in nearby rue Villedo for unpretentious Lyonnaise cooking, a fine range of Armagnacs and a pleasant atmosphere; or
- Chez Georges in rue du Mail for an up-market bistro.

William Dawkins

Express delivery: the shinkansen (bullet train) is one way of getting out of Tokyo for the day

TOKYO

Polite but confusing capital

AT FIRST sight Tokyo can seem a dense, bewildering city. A jumble of confusing signs, large neon-lit avenues criss-crossed by a warren of dimly lit narrow alleys.

Too many people come – or do not come – because they are fearful of Tokyo's complexity and apparent impenetrability.

For Europeans especially, who are used to wide streets and squares, to come to terms with Tokyo will require some work. But in essence, as long as people are confident it is one of the easiest capitals to use, at least on the surface.

One of its main attractions is its safety. No need to worry constantly about your bag being stolen by a passing mugger, even late at night. It is also in most respects – such as its excellent subway system – a highly efficient, well-organised place, full of polite people.

Most visitors start at Narita international airport, which is a relatively quiet oasis about 90km out of the city. A taxi into Tokyo will be very expensive.

Better either to take the train into Ueno junction and then get on the subway or one of the limousine buses which will take you to your hotel or the bus terminal near the heart of the city.

Tokyo has a wide variety of hotels from the expensive high-quality Okura, opposite the US embassy, to cheap guest houses.

An excellent and convenient hotel which offers a range of rooms, some with views over the Imperial Palace moat, is the Fairmount Hotel.

For the adventurous there are many excellent ryokan, traditional Japanese-style inns, which serve excellent food such as the Ohgaiso in Ueno park which has a 19th Century house in its courtyard.

Getting around Tokyo can be alternately very easy and hugely difficult.

The most important tip: if you do not know exactly where you are going, never leave home without a map. If you are meeting someone, get them to send you a map beforehand.

The reason is simple. Getting from one part of the city to another – Otemachi, the financial district to fashionable Omote Sandoto, for instance – is disarmingly simple. The subway is cheap, highly efficient and has signs in English. Taxis are not expensive but take longer.

If you use the subway make sure you get out of the station at the right exit. Most subway stations have many exits, often a long way away from one another.

Getting out at the right exit helps a lot. There are no street signs on the many minor streets and alleyways. If you do not have a map you can spend hours wandering around searching for your destination.

There are no end of good places to drink and eat in Tokyo, whether in the Ginza main shopping area, Roppongi the night club district, or out in the neon-lit rabbit warren of Shinjuku, home to the main red light district.

There is no theatre district to speak of such as Broadway and fewer cinemas.

If you want to watch an English or French language film you should be able to find one in the Tokyo Journal listings magazine.

If you are staying in the city over a weekend, try to get out for a day. Take the shinkansen bullet train to historic Kyoto or the local line from Shinjuku which will take you to the temples of Kamakura by the sea.

Charles Leadbeater

BDDP

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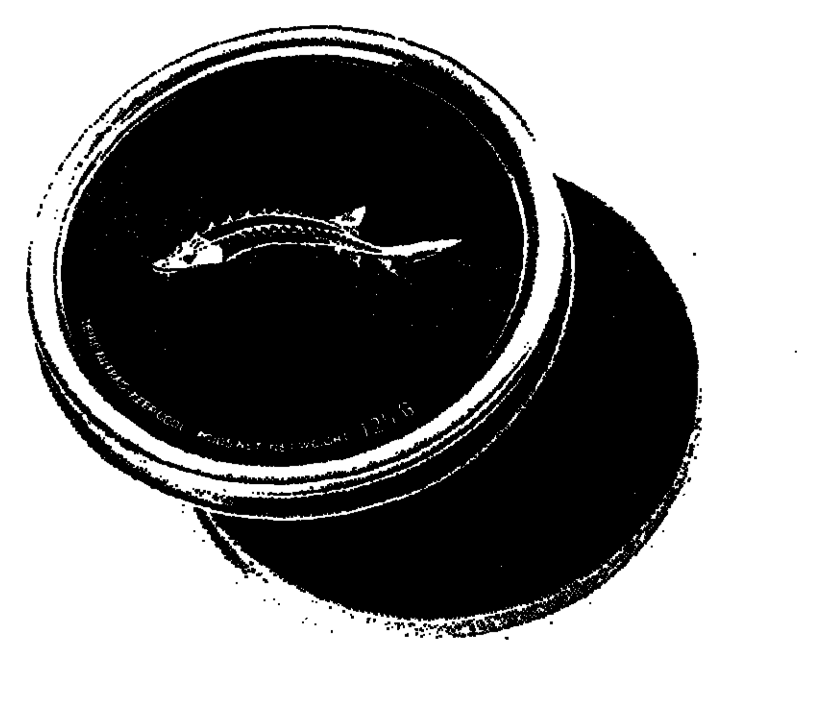

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Food for thought: dining in Italy is almost a ceremonial (Picture: Glyn Genin)

Roy Terry looks at etiquette and cultural differences in Europe

Manners mean a good deal

THE story is told of a fountain pen manufacturer with a product that was guaranteed not to leak ink when clipped on a shirt or a suit pocket. In its advertisements the company used the slogan "Avoid embarrassment, use XYZ pens." It went down well in most countries but in Spain, to its own blushes, the company discovered it was advertising a contraceptive – in Spanish the word "embarrassment" also means pregnant.

This is a good example of "faux-amis," as the French put it, or "false friends," words which mean something different in another language. Frederick Marsh[1], an international marketing consultant, gives another example in a paper on European Community countries prepared for a UN agency.

"A well-known British car manufacturer wanted to launch a car in Germany with the name Silver Mist," he says. However, it realised that in German the word "mist" means animal excrement or manure, and was forced to think again. Something similar applied to an exporter of mist-producing curling irons called Mist-Stick.

Language

These examples confirm the problems highlighted in a recent study of 2,000 companies by the Institute of Manpower Studies[2] for the Department of Employment. More than 60 per cent of the companies had dealings with foreign executives, mainly French, German, Spanish and Italian speakers. All these companies identified some language problems, and 23 per cent said lack of a particular language created a barrier to business.

Cert[3], a Nottinghamshire-based training consultancy, teaches executives *"foreigner-friendly English."* Marianne Aston, the architect of the course, says the main difficulty is that when talking to people whose first language is not English, British executives use words that are too complicated and sentence structures that are too convoluted. She argues that if executives follow a few simple rules communication will be easier.

For instance, if you want to say someone has a lot of money, say they are rich. Avoid expressions such as "well-off," "loaded" or "well-heeled." Even people who speak no English will understand "OK" but few will know what "gobsmacked" means.

Idioms are open to misunderstanding. "At the end of the day" could be interpreted as meaning that something is wanted by 6pm, and "pull your socks up" could have foreigners reaching under the table.

Numbers are another source of confusion for the unwary and uninformed. In French and English the number 21 is expressed with units of 10 spoken first – twenty one. In German and in Dutch it operates in reverse – *one and twenty*. So it is wise to double-check that a telephone number, for instance, has been noted down correctly.

Take care, too, in Austria or southern Germany where toilets in hotels and other public buildings may be indicated with a double zero – 00. Also, it is worth remembering that when a German makes an appointment for "halb neun" or "half nine" it indicates a meeting at 08.30 hours and not 09.30. The same applies in Dutch. Such a misunderstanding could have unfortunate consequences because punctuality in Germany and the Netherlands is vital.

Behaviour

Some companies in the Institute of Manpower study rated understanding of foreign cultural and business behaviour above language ability. Mistakes of this kind were thought to affect business relations greatly. Lack of understanding local conditions could also increase stress on employees, the study revealed.

One company described how an employee had arrived distraught at a meeting because of a misunderstanding with a taxi driver. The employee had objected to parting with a briefcase. The driver then tried to wrest the case from him not to make off with it as the employee believed, but to place it in the boot of the car, as the law required.

A good example of cultural differences is quoted by Mr Marsh. A Scandinavian company wishing to sell baby clothes in Belgium discovered that the goods were virtually unsaleable because in most regions clothes for baby girls are trimmed with blue and those for baby boys with pink.

In some European countries such as Spain the custom of "kissing" the hand of a lady when being introduced is still practised. However, the term "kissing" is a misnomer because usually there is no physical contact between hand and lips.

Greetings

On formal occasions in Germany the hands of women are raised to the lips and kissed. In Italy, cheek kissing is sometimes practised by women. Again, this does not actually involve kissing. The cheeks are merely rubbed, first one side then the other, and a soft lip-smacking sound is made.

When talking to foreigners, British executives use words that are too complicated and sentence structures that are too convoluted

Shaking hands on meeting and on parting is common in Germany, Belgium, France and Italy and ignoring this custom, especially in France, will cause offence. In France, it is wise to try to shake hands with everyone in a crowded room.

Observing the correct forms of address is vital. In Spain, the surname of the host is likely to cause confusion because there are usually two family names. Only the first should be used because the last one is the mother's name. For instance, in the name Jose Lopez Garcia, the correct form of address face to face or in correspondence is Senor Lopez.

Germans are very formal when speaking to each other and will address even close colleagues as "Herr Strauss" or "Frau Schmidt." Titles are used in Germany, France and especially in Italy, where Dottore is the most common form of address for Italians with university degrees. Other titles in use in Italy are Ingegnere (engineer), Avvocato (lawyer or advocate) and Architetto (architect). It is correct to use them on their own without a surname.

In Germany, it is customary to address professional people as, for example, Herr Doktor or Frau Direktorin. It is bad manners not to use titles but referring to someone as Herr Doktor when they are not is also frowned upon.

In France, the practice is less common although older people still welcome being given a title. The head of a company will expect to be addressed as "Madame (or Monsieur) le Président." It is a title which is borne for life. Even after retirement it is customary to refer to an individual by the most prestigious title acquired during a career.

The Continental equivalent of "Miss" in English is now the form of address for very young women only. In France, women are usually called Madame, even if single; in Germany, "Fraulein" is used only for young girls; and, in Italy, "Signora" (with or without a surname) is customary for all women, married or single.

Germans answer a telephone by giving their surname but in Italy the individual answering a call is likely to say "pronto" – "I am listening."

Belgium has three official languages – Flemish, French and German. Choosing the wrong language is very bad form and the mistake is not likely to be easily forgiven.

Dining out

In France, especially, correct business etiquette is crucial. Marie-Helene Descamps, *attachée de presse* for former President Valery Giscard d'Estaing, is an authority on do's and don'ts at the lunch table.

She says there are two kinds of business lunch – building up relations without expecting anything in return and to discuss a deal in the making, or to celebrate a deal afterward. Deals should be concluded in the office never over a lunch table, says Madame Descamps.

A successful business luncher in Paris must have a stock of business anecdotes and subjects of conversation to last through the hors-d'oeuvres, main course and cheese. When the cheese is out of the way, then business can be discussed. The idea is encapsulated in the colloquial French expression for a judiciously chosen moment: "entre la poire et le fromage" although the phrase is confusing because cheese actually precedes dessert in France.

In Germany, business meals are not as common as in the UK or in the US and tend to be strictly social occasions. Foreigners are rarely invited to dinner and such an invitation suggests a very advanced association.

The opposite applies in Italy where entertaining is an essential part of business life. Dining in Italy is almost a ceremonial and deciding who pays is a game which must be won by the person issuing the invitation. Guests should offer to pay but in the end should defer to their Italian host.

In Tuscany, even the clumsiest effort to speak Italian over the lunch table will bring enthusiastic praise. Do not discuss business because the Italian lunch is a social event not an occasion for concluding a deal.

All this tends to illustrate that for the British, when they cross the Channel there are perils around every corner. For too long the British have expected almost everyone to understand English and tend to lose patience with those who do not. The old imperialist attitude that the British way is best and that everything foreign should be studiously ignored or, at best, tolerated with mild amusement, is as outdated as a viceroy in India.

Today, the rule for British business people must increasingly be: "When in Rome, do as the Romans do." Anything else is not only downright rude, but bad for business.

1 Marsh Business Services (telephone 071 233 3123). 2 Cert (telephone 0777 860 835). 3 Foreign Language Needs of Business. Institute of Manpower Studies, Mantell Building, University of Sussex, Falmer, Brighton, Sussex BN1 9RF. £30.

Further reading: The Economist Business Guides to France, Germany, Italy and the UK.

TRAVEL AGENTS

Workhorses of the industry

BUSINESS TRAVEL agents are the workhorses of effective corporate travel management. The good business specialist should not only know the best deals on offer but also be able to secure them because of the muscle that agency has due to the volume of bookings. Good agents also are able to provide their client companies with a global reach to enable them to do business anywhere in the world – as well as providing detailed management information on who has travelled where and at what cost.

Small wonder, then, that the accepted wisdom of business travel management is: if you find a good agent then never let that agent go.

Unfortunately, good agents who do all of the above and more are not necessarily that easy to find. Corporate complaints about business agents range from executives who bemoan long waits for interconnecting flights when they find a colleague from another company has been booked direct through, to company accountants who cannot cope with the excessive amount of data provided by the agent when all they want is a brief summary.

It is hardly surprising, therefore, that some leading buyers of business travel are negotiating directly with suppliers such as airlines, hotels and car rental companies to meet their needs. They believe that the volume of business and agency commission saved can give them a better deal.

But the increasing complexity of business travel in the 1990s would make most companies, large or small, prefer to use a specialist agent. Small companies, however, have had problems in the past in gaining the support and benefits that specialists can provide.

"Companies which spend up to £600,000 on business travel have not, in the past, been offered by the industry the service levels and cost management opportunities they deserve," observes Mr Bill Kirkwood, head of sales and marketing for Thomas Cook travel management.

Thomas Cook commissioned research from Mori which found that small companies were often desperate for help to achieve the best price for travel in line with the needs of individual travellers. "The research showed that some customers thought they had to go to a bucket shop to get the kind of air fares they see advertised in the newspapers," says Mr Kirkwood.

It also showed that smaller companies rated local service as being more important than global networks. According to the survey, the important criteria for a business travel agent were for easy booking, fast delivery of tickets and the opportunity for regular meetings to keep the agency appraised of the client's needs. Reliability and flexibility were also rated as critical.

Thomas Cook has responded to this marketing niche by providing a "fair fares policy" for small (and large) companies. It will quote a fare for the travel that has been requested and will also research other fares, guaranteeing to offer the cheapest alternative within the restrictions applying to the traveller.

Good agents are able to provide their client companies with a global reach

It is these restrictions – such as when you need to fly and whether you might need to change dates and times – that are usually the cause of higher fares being offered. The simple rule of business travel is that the more flexibility executives want built into their travel schedules, the higher the fare.

But while small companies may represent a market not to be forgotten, there is little doubt of the growing demand for business travel agents to have world-wide clout. American Express, with an estimated worldwide revenue from business travel of more than $4bn, is probably the

Continued on next page

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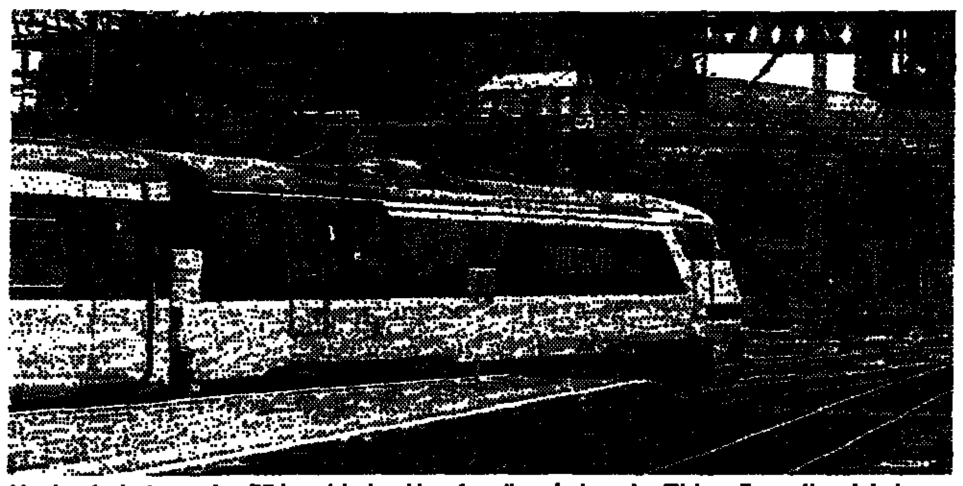

Lined up for better service: BR has picked up ideas from the private sector *(Picture: Trevor Humphries)*

Richard Tomkins looks at BR's monopoly

On track for change

FIRST, the bad news for rail travellers in Britain. Remember all that talk about Richard Branson's Virgin Group setting up a luxury inter-city train service featuring hostess *service*, seat-back video and on-board business centres, all for the price of a *normal* British Rail fare? The plan's off.

It foundered on the rock of a *provision in the* Transport Act 1962 requiring BR to operate with due regard to efficiency and economy of operation. That, said BR, meant that it could not allow Virgin on its tracks unless Virgin undertook to compensate it for every penny of profit it lost as a result. Clearly, any such arrangement was a non-starter from Virgin's point of view.

The result is that business travellers are stuck with BR's monopoly over train services, at least until privatisation. But now, the slightly better news: BR seems to have picked up ideas from the private sector in its latest marketing campaign.

For this, passengers must thank the recession. In the present financial year BR's *InterCity sector is looking at a* £50m hole in its revenues, partly because the number of passenger journeys *has fallen* and partly because people are trading down from first class to standard class.

InterCity has responded by tightening its belt, cutting costs and paring investment to the bone. But that, it says, is not enough: so beyond that, it is also fighting to fill empty seats by launching the biggest *package of marketing* measures it has ever deployed.

One prong of the campaign is *to widen the range of bargain* fares – for example, through a re-introduction of the Boots promotion, *giving shoppers at* Boots stores vouchers that they can trade in for tickets. These offers, however, are aimed at leisure travellers more than the business market. The main benefits for business travellers are improvements in service.

For example, customer welcome teams will be introduced *to station concourses at big* InterCity stations. These will consist of hosts and hostesses *dressed in a distinctive claret* uniform, walking the concourses and offering help to *passengers. The first teams are* already in action at London's Euston, King's Cross and Paddington *terminuses* and *Bristol* Temple Meads.

Meanwhile, the most frequent InterCity services, such as those between London and Gatwick, Bristol, Leicester, Birmingham and Norwich, will be re-packaged as InterCity Shut*tles from next year. The idea is* that passengers intending to travel these routes, at least *from the London end, will no* longer need to worry about timetables. Instead, they will *be able to turn up at a desig*nated platform at any time of day in the knowledge that a train *will* be there, ready to depart and with its buffet open.

There are big changes to on-board catering, too. The traditional dining-car with its set menu will largely be replaced by so-called Express Diners – restaurant cars offering an all-day menu aimed at meeting a perceived demand for lighter meals. People will be able to make up their own meals from a choice of starters, main courses and desserts.

On Pullman trains and some other services timed for business travel, the more traditional menu will be retained. But it will be improved, with a wider choice of dishes: the *autumn menu in Pullman, for* example, will include "Best of New British" cuisine alongside *international* and vegetarian dishes, and a new wine range is to be introduced later.

A number of improvements are being made to the frills of business travel. There will be a new look for table settings in Pullman and first class, with brighter and warmer colours. First class passengers were last month being given a free copy of a novel – The Firm by John Gresham. A series of exclusive telephone numbers is being introduced across the country for booking first class tickets. And for Silver Standard travellers – *typically, the cost-conscious younger business traveller paying the full standard class fare – there is* free tea or coffee in china cups instead of plastic ones, a choice of free *biscuits* and pastries, and the addition of hot toast to the £4.95 breakfast.

There are also improvements to sleeper services. On all sleeper trains the first class sleeper fee now includes a continental breakfast and newspaper, with a full breakfast available in lounge cars; and a lounge car has been added to the Fort William sleeper, which is renamed The West Highlander.

One reason why InterCity has reacted to the downturn in business in this manner is that it operates in a ferociously competitive market. Surprisingly, railways account for only 10 per cent of UK passenger journeys exceeding 50 miles: of the rest, cars account *for 88 per cent, air 1 per cent* and coaches 1 per cent.

However, the big question *this marketing campaign is* likely to raise in the mind of most business travellers is whether it is not simply a case of rearranging the deckchairs on the Titanic. What is the point of making minor changes to the quality of service, they may ask, if people cannot rely on the trains to run on time?

Certainly, there is nothing to be proud of in InterCity's record. Last year only 84 per cent of its trains reached their destinations within 10 minutes of the scheduled time, against a government target of 90 per cent; and the cancellation rate of 2.2 per cent was far above the target of 0.5 per cent.

One reason for this poor performance is the increasingly decrepit state of InterCity's assets. *Although the London* King's Cross to Edinburgh line has recently emerged from an *extensive modernisation, plans* for a £750m upgrade of the London Euston to Glasgow line are on *indefinite* hold, and the InterCity 125 trains running on the Great Western lines out of London Paddington will soon be due for replacement.

Unfortunately for passengers, the present pressures on public spending leave little likelihood that these investment needs will be fulfilled by the government in the foreseeable future. The result is that passengers may have to wait for rail privatisation before they get the trains they want – and that is not due to draw into the platform until at least April 1994.

Workhorses of the industry

Continued from previous page

largest group which fulfils the travel agencyfunction of pro*viding the interface between* the supplier and client on an international basis.

Vying for second place in the international league are Carlson of the US, which *recently acquired the A. T.* Mays agency chain in the UK although with most of its business *travel turnover still in* the US, and Wagons-Lits, which last year bought Pickfords Business Travel from NFC. Wagons-Lits owns agencies in 40 countries and has partnerships with agencies in a further 79 countries.

Thomas Cook and Wagons-Lits used to have a formal marketing agreement which limited their spheres of influence: since that deal broke up a few years ago, both companies have made strenuous *efforts to* expand their global coverage. Thomas Cook, which does not own its operations in *the US, can be expected* aggressively to seek new world-wide coverage following *its acquisition.*

Hogg Robinson, a UK-based service organisation, has also *joined the trend towards* globalisation through helping to develop an international network, Business Travel International.

Mr David Radcliffe, Hogg Robinson's business travel director, makes clear that the new arrangement is customer-driven. "Customer demands for greater cost savings have increased immeasurably over the past few years and through the purchasing power of BTI they can avail themselves of maximum savings," he says.

Newcomers to the BTI con*sortium this year include* Japan's Nippon Travel Agency, Spain's El Corte Ingles, Global Travel in *Singapore and Kuoni* Travel of Switzerland.

The drawback to increasing *globalisation of travel agen*cies, however, is largely one of logistics: collecting information and exercising control over a large number of locations or operations. It is here that the development of Computer Reservation Systems (CRS) will play an increasingly important role in the 1990s.

David Churchill

Are travel perks on the way out? asks **David Churchill**

Reward schemes cut

IN *THE* tough economic conditions of the 1990s, have the corporate conference and incentive travel trips of the 1980s had their day?

At a time when companies are having daily to face up to the harsh realities of recession, the exotic sales conference to Florida or the Far East may seem in bad taste and provide the wrong public relations message to staff and customers.

Yet, while there is no doubt that companies have cut their conference and incentive programmes *during the recession*, there are still some who believe that a motivational *conference or incentive trip* (often the two are very similar) is the best way to win *business.*

"Where there's a will there's a way," points out Mr John *Fisher, managing director of* motivation company Page & Moy Marketing. "Companies that want to keep their conferences and incentives will usually come up with a reason for it." Nowadays, he adds, many incentives are termed as "educational" or "factory" visits rather than straightforward travel rewards.

Operators in the conference and incentive travel business – one of the most important parts of the overall business travel market – insist that the motivational need for such travel is more important now than ever before.

"Conferences motivate people," *insists Ms Janice* Eagelson, marketing manager for the Dé Vere Hotels group *whose portfolio includes the* refurbished Grand Hotel in Brighton. "This is particularly *important for sales staff* who spend most of their time on their own."

Mr Paul Swan, managing director of conference production company Spectrum Communications, adds: "Sales staff need even more reassurance in times like the present and a good conference can take care of this. The sales executive can look round and see tangible evidence of the size and strength of the company.

"With business disasters all around them every employee needs reassurance that he or she is led by a winning team that has a strategy to get the company through."

The conference and incentive travel market is split into several distinct sections. At their grandest are the international conventions when people arrive from all over the world to discuss a particular subject. Then there are company conferences which provide a platform for staff from one company to meet in pleasant surroundings to communicate and discuss corporate objectives.

But the most popular area is the incentive travel trips, often thinly disguised as conferences. They are really rewards *for staff or dealers* and distributors who have performed well. The motor, life *assurance and computer industries* are all heavy users of these type of incentives even *in the present recession: the* benefits to the companies are too great to stop such travel entirely, although the type of reward is changing.

> The exotic sales conference to Florida or the Far East may send the wrong public relations message to staff and customers

"While group incentive travel remains an important motivational tool, the number of reward schemes targeted at individuals are increasing very rapidly," points out Mr Nick Bender, general manager *of Thomas Cook's incentive* travel business. "There is no doubt that travel is used as an *incentive simply because it* works best." Thomas Cook has, therefore, introduced worldwide *travel* vouchers which can be given as a reward to individuals.

What is also changing as a result of the recession is the length of conference and incentive travel trips as well as the destinations. Events are often shorter and the places visited less exotic.

"Some companies are becoming a bit wary of taking their top performers off for at least a week away from their business," points out Ms Barbara Crawley, managing director of the Motivtravel incentive house.

Short-haul trips, therefore, are increasingly used as rewards. Mr John Lawson, chairman *of the Incentive* Travel and Meetings Association and managing director of *Motivational Travel Manage*ment, suggests another reason for short-haul's popularity.

"Companies are less willing to book business class seats, so while two to three hours in short-haul economy seating is acceptable, most people find seven to eight hours in economy to a long-haul destination is not so much fun, especially when they have been used to a higher grade," he suggests.

Out of the UK, therefore, Paris is still the top short-haul conference and incentive destination. Moreover, in a bid to *capitalise on this,* Eurodisney is launching a scheme to attract conference and incen*tive business to the resort*, especially during the winter months.

Paris's popularity, however, may be hindered by the recent devaluation of sterling against *the French franc which makes* it more expensive as a destination. Within Europe, therefore, the trend may be towards better value for money destinations such as Spain and Portugal.

But while short-haul conference and incentive travel is the name of the game, some companies still believe that long-haul travel is a better motivator. The problem, however, is finding sufficiently new and exciting destinations. "There is no doubt that some companies want fresh ideas *and high quality," says* Mr Lawson. "Whether it's short haul or long haul, the over-rid*ing demand is for an incentive* experience that works well and is better than they have *had before.*"

Hong Kong is cited by conference and incentive travel organisers as *pushing hard* for business out of the UK. But the "hot" destinations to watch over the next few years are Venezuela, Boston, Vancouver and Buenos Aires.

The one drawback to the growth of the conference and incentive travel market, however, remains the tax implications. Mr Fisher from Page & Moy points out that the acid test for tax is whether or not there is a qualification element. "If delegates have to qualify to attend, then it is taxable, including costs for partners," he says.

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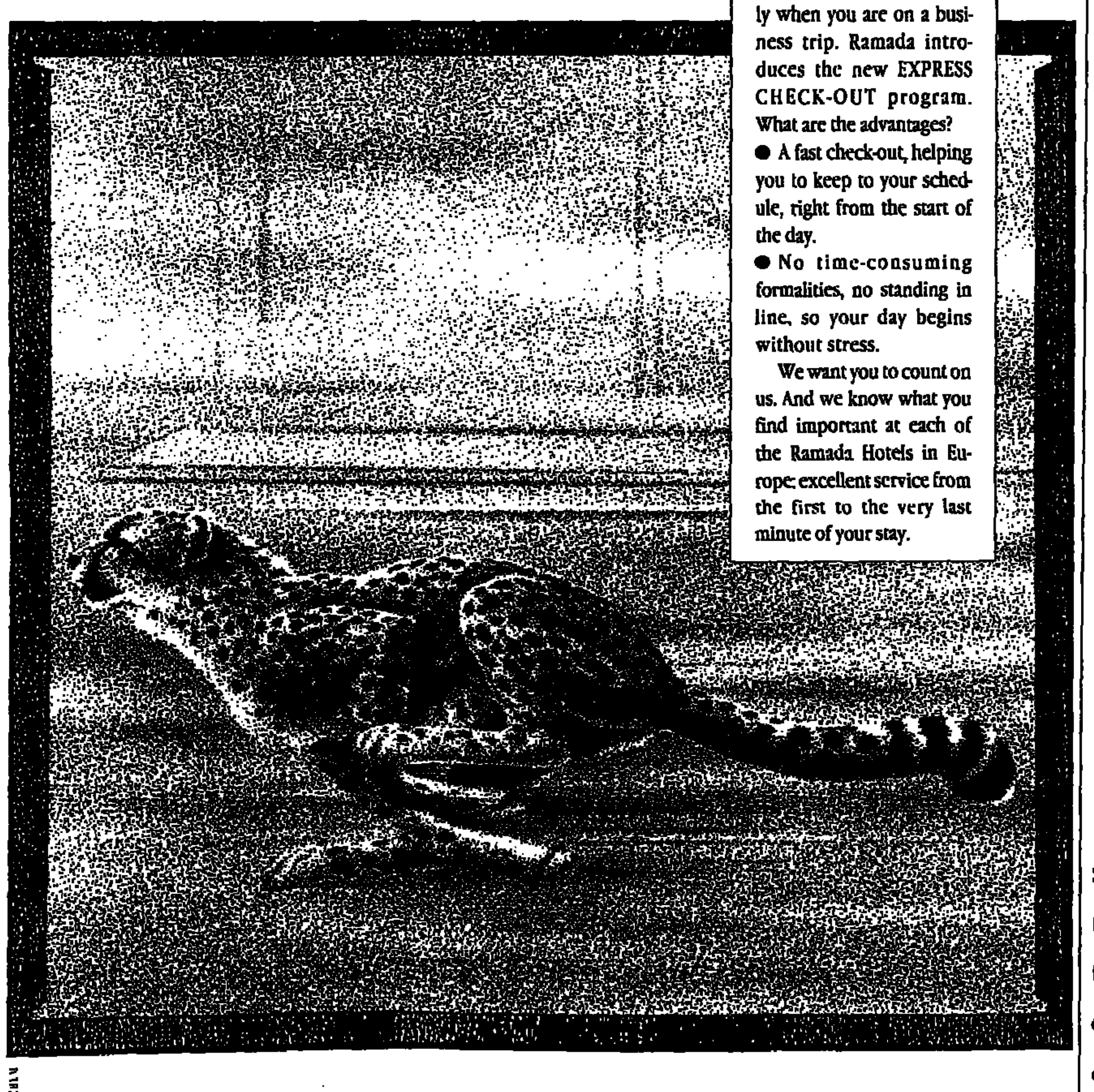

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Dr Michael McGannon sums up the latest research on beating jet lag

Rhythms to drive the blues away

BUSINESS travellers with *hectic flight schedules have* reported to medical researchers two main sources of stress – jet lag and Aids.

The chances are good that health and professional performances will be compromised by the accumulated stresses of international travel, unless steps are taken to overcome the problems.

The scientific evidence shows that long-distance air travel through multiple time zones can precipitate health problems, ranging from temporary sleep disturbances to debilitating heart disorders.

Call it what you like, rapid time zone change syndrome, circadian rhythm shifts secondary to transmeridian travel or jet lag, this modern phenomenon is simply another example of how modern technology and behaviour patterns have been allowed to override *human biology*. Jet travel has caused a fundamental mismatch between normal sleeping habits and the fast-track business world that expects business people to be as alert at 3am in Tokyo as they were at 9am in London or New York.

During the past 30 years,

Jet travel has caused a mismatch between normal sleeping habits and the fast-track business world

great advances have been made in understanding the basic neurophysiological processes governing the processes of adaptation to light and darkness.

An entirely new field of research has been born: chronobiology. Proper functioning of many of the body's vegetative functions, including sleepiness, wakefulness, appetite, intestinal function and body temperature, are directly dependent upon the natural light-dependent cycle known as the circadian (diurnal) rhythm.

Because this circadian or diurnal rhythm generally runs on a 25-hour cycle, it will constantly reset itself on a *daily* basis instead of lagging behind. This naturally elongated schedule explains one curiosity of jet travel: travelling eastward, say from New York to London, will shorten the calendar day, thereby catapulting the traveller's biological cycle into the following morning when the normal pattern dictates sleep. This results in severe fatigue, loss of mental lucidity, disorientation as the rhythm searches for a new reference point by which to re-set itself.

Using various external prompters such as light, meals, activity and social interaction to resychronise the body, the brain is generally able to reset one to two hours of lost cycle a day, so that the trip eastwards might throw you off for a week.

Of those external cues used by the body to adapt itself, *light is* the single most powerful synchronising agent for resetting the biological clock in the brain; the suprachiasmatic nucleus (SCN), which is connected to light sensing cells in the eye.

According to pioneering research on light at Harvard University, resetting the biological time clock can be accomplished by precisely timing exposure to bright light at certain times during the circadian cycle.

This resets the clock earlier or later or simply deadens the cycle's peaks and troughs. Related research also shows that the pineal gland, located deep in the brain, Descartes's "seat of the soul", actually secretes a powerful light-related hormone – melatonin – which has a fundamental role in the resetting of the body's time clock.

Furthermore, researchers at the Johnson Space Center have shown that the prolonged immobility of overseas flights causes the body to excrete excessive amounts of potassium essential to optimum physical performance. This loss accounts for the decreased muscle strength, diminished physical (and mental) reflexes, confusion and, quite possibly, disturbances in heart rhythm. Physical exercise (the day of the flight) helps release potassium into the blood, thus compensating for losses resulting from flight immobility.

Given the obvious individual differences between people, there does not appear to be a universal remedy for jet lag. What follows are practical ways to capitalise on the latest research findings.

When I asked several hundred successful travelling managers what strategies they used to battle jet lag, two strategies were reported – abstinence from alcohol and exercise.

Solutions to battling jet lag should be divided into three groups:

■ **Before departure:** First, try to re-set your biological clock. For long trips of a week or more, it really pays to try to gently change the daily *rhythm (by one hour a day* before departure) to simulate the new time zone. In other words, if travelling from Europe to the west coast of America (where bedtime is about nine hours earlier), get to sleep one hour earlier every day for 3 to 4 days before departing.

For shorter trips of two to three days, attempt to "tough

Of the external cues used by the body to adapt itself, light is the single most powerful synchronising agent

it out" by sticking to the home schedule. That way, at least, you will not need to adapt twice in as many days and can arrive home hitting the ground running.

■ **While in flight:** If you are really serious about beating jet lag there are several "absolutes". Proper hydration is one absolute, because humidity of the aircraft's cabin air can be uncomfortably low (3 per cent). Re-humidifying the air to more comfortable levels (25 to 35 per cent) requires about 200 litres/hour on a Boeing 747 or two tonnes of water for a 10-hour flight: that can get very expensive.

Your strategy should be the same as the flight crew: re-humidify yourself! Kill two birds with one stone by drinking at least one glass of orange juice (potassium and water) every hour while awake. Do not worry, an overdose of orange juice is not possible! Furthermore, resist the seduction of free alcohol and coffee, two substances that will induce lethargy by wringing the system dry and causing potassium losses. Alcohol and coffee will set you up for the worst case of jet lag possible.

Before dozing off (something which will be easy if the body has been previously fatigued by exercise), do a few arm lifts: using the arm rests, lift your weight (discreetly) off the seat several times. This will help keep the blood circulating well while you sleep.

■ **After arrival:** Promise yourself that you will arrange your schedule (by arriving the day before meetings) to accommodate a physical work-out sometime prior to appointments. This will ensure that the vital organs (including the brain) receives well-circulated blood richly saturated with oxygen.

Until the light researchers find a way to install bright light on aircraft or in hotels in a way that safely dissipates the heat generated and makes it accessible to all, use exercise and light together to reset the body's time clock. Chronobiologists say the best time to do this for eastbound passengers would be to take a jog (or any aerobic work-out) mid morning or early evening. Jogging or working out in bright light will hold back the clock until you catch up.Do not go to bed until the evening and then stick to local schedules.

Studies on soldiers involved with large troop manoeuvres abroad reveal that jet-lag diets and over-the-counter anti-jet-lag pills have little scientific validity.

Light therapy, combined with an intelligent assortment of hydration and exercise, appears to be the best drug-free treatment for those whose sleep/activity patterns are disrupted by travel.

I am amazed to find that modern executives are still victims of folklore when it comes *to Aids. In brief and simple* terms, you cannot acquire the Aids virus, HIV, by casual contact (parties, pools, conferences, the workplace, toilet seats or insect bites). It is spread by having sex with HIV-infected individuals, intravenous drug use and receiving contaminated blood products. Engage in high-risk activity and you will become a high-risk yourself.

For those who have stayed for relatively long periods in developing countries, certain routine tests should be considered upon return, including a complete blood count and smear, liver function tests, urinalysis, TB skin test and when exposure is reported or suspected, serologic tests for Aids, Hepatitis B and various parasites.

Lastly, be proactive in your approach to dealing with modern travel because if you are failing to plan, you are planning to fail!

Worth the effort: exercise helps combat jet lag *(Picture: Glyn Genin)*

Plastic friend: charge cards and local currency are the best methods of settling accounts

Stewart Dalby shops around for the best deals in changing cash

Getting your money's worth overseas

LORD JENKINS of Hillhead, the former president of the European Commission, undertook an exercise in money-changing in Europe. He estimated that if a traveller left Britain with £100 in banknotes, visited all 12 EC capitals and changed currencies 11 times (Luxembourg does not have its own currency) the sum would have dwindled to £28.50 by the time it was changed back into sterling.

The losses would have been incurred solely on commission fees and took no account of exchange rate movements.

He admitted that seasoned business travellers would not behave in this way. "I deliberately kept the amounts small to make a point. If you are shifting large amounts of

Change money as seldom as possible and change large amounts. Fewer transactions mean less fees

money around you would not be hit so hard."

But his exercise emphasises the first rules of travel: change money as seldom as possible and change large amounts. The fewer the transactions, the less the handling fees.

That said, what is the most efficient way for the business traveller to carry cash?

Mr Ian Spight, the director of financial services for Thomas Cook, says: "There is not one single cheapest way of travelling. Certainly there is no way of going abroad at nil net cost."

For business travellers, Mr Spight feels it depends on the destination. "Broadly speaking, I would recommend business travellers to take currency and make extensive use of charge-cards."

However, he advises the individual business person to look at local conditions. "Germany, for example, one would expect to be a cashless society. But, in fact, charge cards are not as extensively used there as elsewhere."

He also stresses the importance of using local currency for the smaller bills. One way an inexperienced traveller incurs losses is arriving at airports with only traveller's cheques, which have to be changed for taxi fares or tips. It can be expensive to change large denominations at airports. Changing traveller's cheques at hotels can be even more costly.

The business traveller has to make a calculation based on a number of factors including cost, convenience and security. For travel to eastern Europe, Mr Spight recommends D-Marks or dollars in small bills and suggests that charge cards be used for larger bills.

In the former Soviet Union, the best currency to use is dollars. For most of western Europe, the local currency is best. In the Far East, dollars will prove useful except in Japan where the yen is obviously the best currency. In the Middle East, Africa and Latin America, it depends on the country but dollars are generally a safe bet. Do not come home with too much of the local currency because it might prove difficult to find a bank willing to exchange it.

It pays to shop around, particularly at times of currency turmoil. Exchange rates can differ from bank to bank and so can charges. Thomas Cook has a commission rate of 2 per cent for banknotes. Most of the clearing banks and building societies have similar charges. But these can vary depending on the amounts changed. Some banks also charge a handling fee.

American Express offices in the City of London charge a straight £2 fee for currency banknotes rather than a percentage of the amount changed. However, for some currencies its rates of exchange are not as competitive as the clearing banks.

Restaurants and hotels in eastern Europe now accept most charge cards. In the countries of the former Soviet Union charge cards are accepted in the large hotels used by visitors.

If a charge card is used to draw money from a bank there is usually a 1.5 per cent handling fee. When paying by charge card abroad, the costs to the traveller are losses on foreign exchange.

Charge and credit cards and local currency are the best method of settling accounts in terms of convenience, but they present problems in security.

For example, travellers who visit the countries of the former Soviet Union report that crime is now a serious problem. Muggings and other thefts from foreign visitors are a particular problem in Moscow.

There are a number of other methods of funding travel.

Banks can transfer money to banks abroad at a fee but this could prove expensive. It can also be inconvenient because it means visiting a particular bank during business hours.

Another method is to use Eurocheques. These are used extensively in shop, restaurants and hotels throughout western Europe. They are a method of drawing on one's own bank account while abroad. They are safe, but can

It pays to shop around, particularly at times of currency turmoil. Exchange rates can differ from bank to bank

also be expensive. At Lloyds Bank, for example, it is necessary to buy a Eurocheque card. This costs £9 but lasts two years.

Thereafter there is a 30p charge for each cheque plus commission of 1.6 per cent.

The cheapest way of travelling safely is to take traveller's cheques. "Providing they take currency traveller's cheques, that is franc traveller's cheques for France, and so on, then it can work out cheaply. Sterling traveller's cheques are cheaper to buy, but then there is the possibility of exchange losses and handling charges at the other end," Mr Spight says.

American Express and Thomas Cook traveller's cheques are widely accepted but it pays to shop around. American Express in London charge one per cent commission when selling dollar traveller's cheques. Providing the cheques are cashed in an American Express office there is no further charge. Thomas Cook charges two per cent for *foreign* currency traveller's cheques and one per cent for sterling. The problem with sterling is that banks abroad charge a handling fee and there can also be exchange losses.

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Roy Terry tries out gadgets designed to ease the traveller's life

A secretary in miniature

MODERN business travellers who need a secretary to organise their lives can opt instead for a personal digital assistant no bigger than a box of cigars. This product of the electronic age comes in a variety of forms, and can do most things expected of a secretary.

It can wake you up in the *morning with an alarm call*, tune you in to the BBC world service, prompt you to keep appointments, allow you to consult information stored in your desktop computer, supply you with dialling codes and telephone numbers, take dictation, answer almost any query, correct your spelling, and even talk to you in five languages.

What it cannot yet do is type your letters automatically, but engineers are working on it.

PDAs have all the functions one would expect in a pocket-sized PC — a database, word processor, "agenda" or diary, and a calculator

PDAs have all the functions one would expect in a pocket-sized personal computer (PC) — a database, word processor, "agenda" or diary, and a calculator. But the engineering wizards in the companies manufacturing these marvels of miniaturisation, have come up with distinctive extras which they hope will catch the imagination of executives.

Take the Psion Series 3 palmtop, described by the makers as "*the most powerful pocket-sized* computer in the world". Tell it where you are, and it will supply the dialling code for more than 400 cities at the touch of a button. Match that with a list of telephone numbers stored in its memory, and you can keep in touch with contacts around the globe.

Apart from that it has features which can keep the bored executive amused for hours on end — if you have time to read and understand the lengthy instruction books which come with most PDAs.

Hewlett-Packard, on the other hand, describes its HP 95LX as a "true companion to the desktop PC". What this means is that anything the desktop can do, the HP 95LX does on a smaller scale. Worksheets, documents, letters and other files needed on your travels can be transferred from your desktop to your pocket computer. It can also print out any document on an equally *portable printer*.

The Sharp IQ-8400 is an electronic organiser that enables you to have on hand a wealth of reference material, such as a thesaurus, incorporating a spell-check facility, bilingual dictionaries for English/French and English/German, and an eight-language translator of common phrases, which includes Japanese. It also has a to-do function, which acts as a reminder of essential *tasks* for the day.

The Olivetti Quaderno is one step along the way towards the voice activator — the ultimate aim of all designers. Olivetti calls it a voice management facility. A microphone enables you to record spoken notes and messages, and these voice files can be integrated on to text files where they are played back on cue, enabling you to update your information.

A variation on PCs and organisers is the Sony Data Discman, which can best be described as a hand-held electronic library. No bigger than a blockbuster-sized paperback, you can access a variety of discs, among them the Concise Oxford Dictionary, Hutchinson's Encyclopaedic Dictionary, a Golf Guide to Europe, a *Time Out Guide to four cities* and, soon, the Financial Times Guide to European companies.

All these PDAs have one disadvantage, especially for touch-typists. As one user said: "To use the keyboards, you need a pencil-sharpener for your fingers."

This is where the Amstrad Notepad comes into its own. The keyboard is 11¾ inches wide and comfortable to use. Although it cannot fit into your pocket, it will easily slot into your briefcase. The Amstrad's main selling point is: "If you can't use this computer in five minutes, you'll get your money back." Only the worst cases of colour blindness are likely to be asking for the return of £199.99.

What these portable PCs cannot yet do is keep you up to *date with world events. The* Philips World Receiver radio is small enough to fit into a pocket, yet sophisticated enough to tune into stations worldwide. It has a world map on a liquid crystal display, 13 shortwave bands and direct frequency key-in with 18 presets. Competing against it is the Sony ICF SW55, with a 25-station name memory.

Most PDAs have built-in alarm calls, but none can boast the accuracy of a new clock from Junghans. An internal antenna picks up a radio time-signal from the National Physical Laboratory, and the clock resets itself automatically. It even adjusts for British Summer time and, across the Channel, it will reset itself to local time.

A regular little chatterbox is *the Interpreter, which speaks* fluent English, French, German, Italian and Spanish. Enter a key word, such as "car", and it displays "Can I hire a car?" instantly. Press a button for German, and it will speak: "Darf ich ein Auto mieten bitte?" Its memory includes 700 commonly-used phrases across 14 categories, and, in practice, it could talk for 20 hours without repeating itself.

Battery shavers have been available for some time, but none has been as light as the latest models. The Braun Pocket Battery Traveller weighs only 224 grammes with the batteries, and includes a pop-up long-hair trimmer. The Philishave also includes a trimmer, and has a battery which lasts for two weeks after an eight-hour charge. The Philips *Ladyshave can be used in and* out of water, and its two batteries last for 35 minutes.

A real boon for women who need hair rollers is the latest Carmen Curl. Instead of electricity or gas, it relies on activated carbon sachets which are first shaken and then inserted into the rollers heating them automatically.

All these PDAs have one disadvantage, especially for touch-typists: to use the keyboards, you need a pencil-sharpener for your fingers

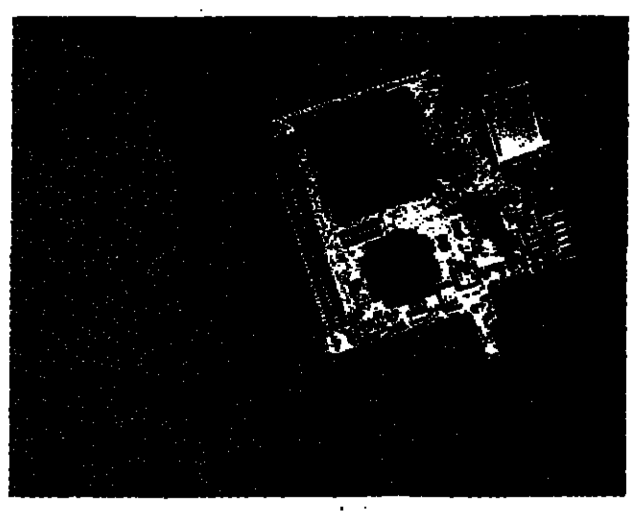
The latest dictation machines are lighter than ever before. Sony claims that its M-909 is the "world's smallest *tape recorder". It is* 67.6mm wide, 64.6mm long and 18.5mm deep, or about 2¼ inches square by less than an inch thick. Philips relies on its more conventional Pocket Memo range, which weigh from 145 grammes to 185 grammes.

After the day's work, what better than a round of golf on a famous American course? It might be thought of as a toy, but the Pro Golf II offers wind and weather variations, and even your swing can be adjusted. You can hook, slice, land up in a bunker or produce the perfect putt from the edge of the green. With a little practice, you can play like Nick Faldo — theoretically, of course.

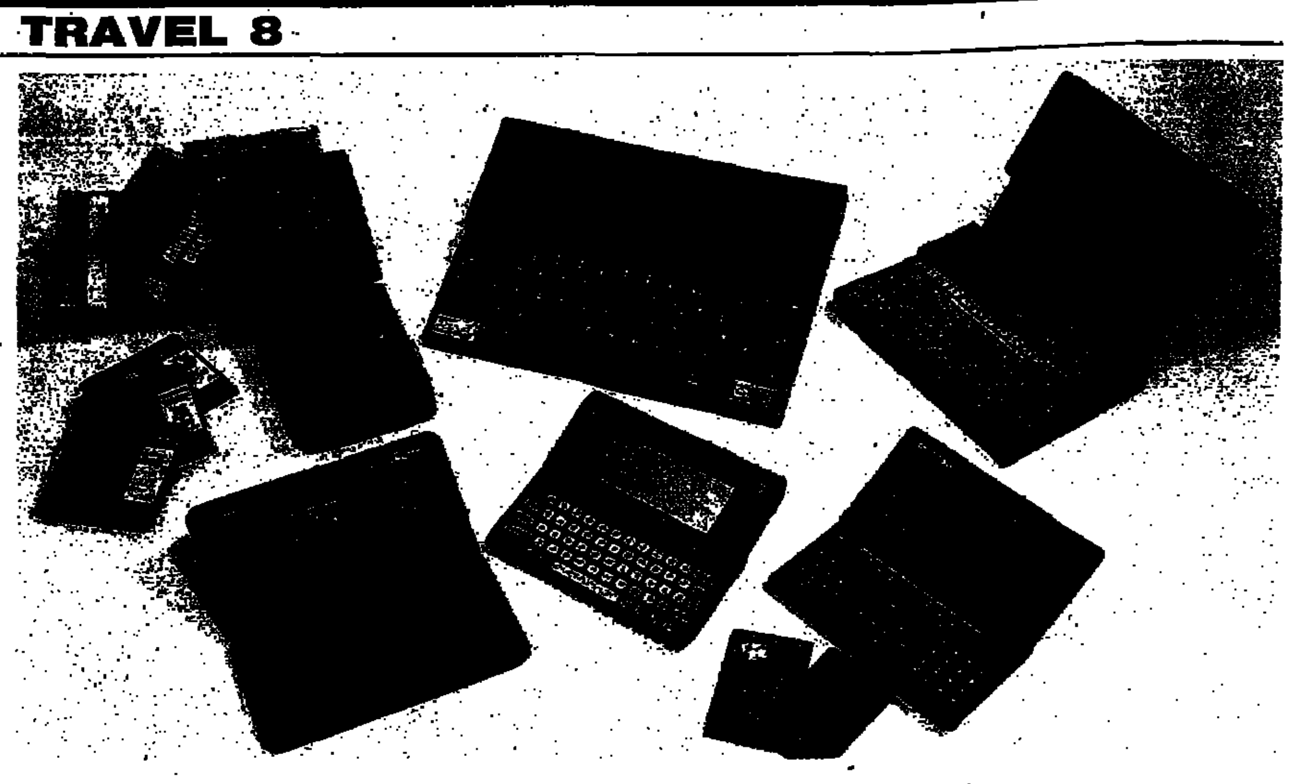
The business traveller, equipped with all the gadgets available these days, is bound to need *something special in* the way of luggage. What better than a Piggyback trolley case which converts into a luggage cart? Simply raise the pull handle, fasten other cases with the retractable strap, and you are laughing while everybody else scrambles for a trolley.

Bon voyage...

Personal digital assistants: Amstrad Notepad — £199.99; HP 95LX palmtop — £339; Sony Data Discman — £349.99; Psion Series 3 256K — £249.95; Sharp Palmtop Computer PC3000 IBM PC compatible — £599; Olivetti Quaderno — £680; Sharp IQ Electronic Organiser — £179.99.
Radios: Philips World Receiver AE3905 — £199.99; Sony ICF SW55 — £249.99.
Alarm clocks: Junghans Digi*tal alarm clock* — £49.95.
Dictation machines: Philips Pocket Memo 393 — £149.50; Sony M909 — £199.99.
Personal care: Philishave HS825 rechargeable — £57.95; Philips Ladyshave — £19.95; Braun Pocket Battery Traveller — £19.95; Carmen Curls — £10.16.
Games: Pro Golf II — £59.95.
Translators: Interpreter MkII — £149.95.
Luggage: Silhouette Piggyback — £175.



The electronic secretary dissected (Picture Trevor Humphries)



Marvels of miniaturisation: these PDAs can do most things expected of a secretary (Picture: Trevor Humphries)

Stewart Dalby pages through the guides to countries and airways

Only the best connections

THE BIBLE for air travellers going from or through Britain has long been the ABC World Airways Guide, published by the Reed Travel Group.

This year, following extensive research, Reed has published an upgraded version of the guide called, ABC World Airways Corporate Edition. As well as steering air travellers through the complexities of airline schedules (it includes information on 450,000 domestic and international flight schedules and connections for the world's airlines), the guide gives full airport and destination details, a survey of airlines' business classes, airline seating plans, travel clubs/lounges, duty free shops, transport to city centres, car rentals, currency, business hours and public holidays, passport/visa requirements, vaccinations, hotel details, city maps and business and social hints.

ABC World Airways Corporate Edition is published monthly in two volumes. An annual subscription costs £306.

For business travellers who like to plan their own itineraries or to make changes en route there is a family of three pocket-sized ABC Executive Flight Planners.

These are condensed versions of the ABC World Airways *Guide. They are also pub*lished monthly and cover Europe, the Middle East, Africa, Asia and Pacific, and the Americas. Each one includes details of direct flights to, from, and within each region, plus the most useful transfer connections.

An annual subscription for 12 monthly editions costs £69. Reed Travel Group is in Church Street, Dunstable, Bedfordshire, LU5 4HB (telephone 0581 600111).

A third publication by the Reed Travel Group is the ABC Rail Guide, which includes timetables and fares. Updated every month, it covers all services in London and southern England, with complete details of rail services and fares between all Britain's main towns and cities. It costs £72 for an annual subscription from the publishers. It is also available from most leading bookshops, price £5.25.

During the 1980s so many general travel and guide books were published that the choice is endless

For European connections and rail routes, a good*guide* is Thomas Cook European Rail Timetable. This costs £7.95, including postage, or is available on an annual subscription for £95 from Thomas Cook Travel Management, PO Box 36 Thorpe Road, Peterborough PE3 6SB.

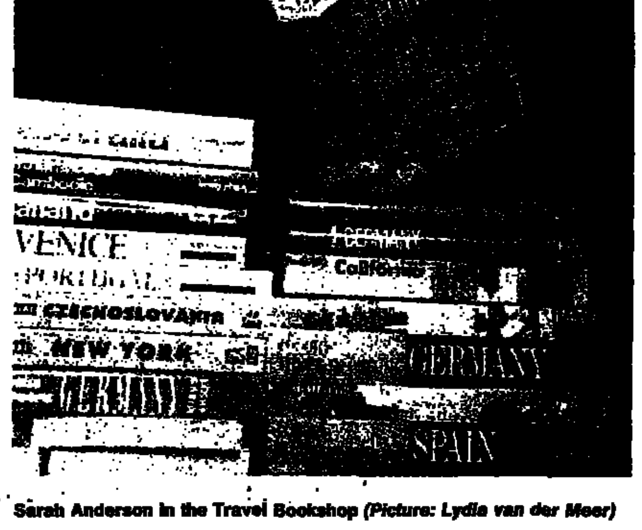
Thomas Cook publishes a number of other specialised books on air travelas well as its renowned guidebooks. Some of these are also available in a computer disk format, for an IBM-compatible personal computer.

During the 1980s so many general travel and guide books were published that the choice is endless.

Sarah Anderson and Simon Gaul, the joint proprietors of the Travel Bookshop, have written, A Guide to Guide Books Abroad, 1992, published by Thomas Cook at 50p. The Travel Bookshop is in London's Notting Hill at 13 Blenheim Crescent, London, W11 2EE (telephone 071 229 5260).

The pamphlet makes the point that original guide books published in the 19th Century, such as Baedekers, John Murray, Cooks and Augustus Hare, are worth collecting and are also good value in revised editions.

Many travellers today still find them useful because of the good descriptions they often provide of buildings.



Sarah Anderson in the Travel Bookshop (Picture: Lydia van der Meer)

Another point which emerges is the predominance of two different types of guide — those *catering for economy* travellers for and those aimed at tourists in search of culture or gourmet food. Among the success stories in the 1980s have been Rough Guides and Lonely Planet publications, which tell how to travel cheaply.

For slightly better-off tourists, Michelin guides, Travellers Handbooks and Blue Guides remain great favourites.

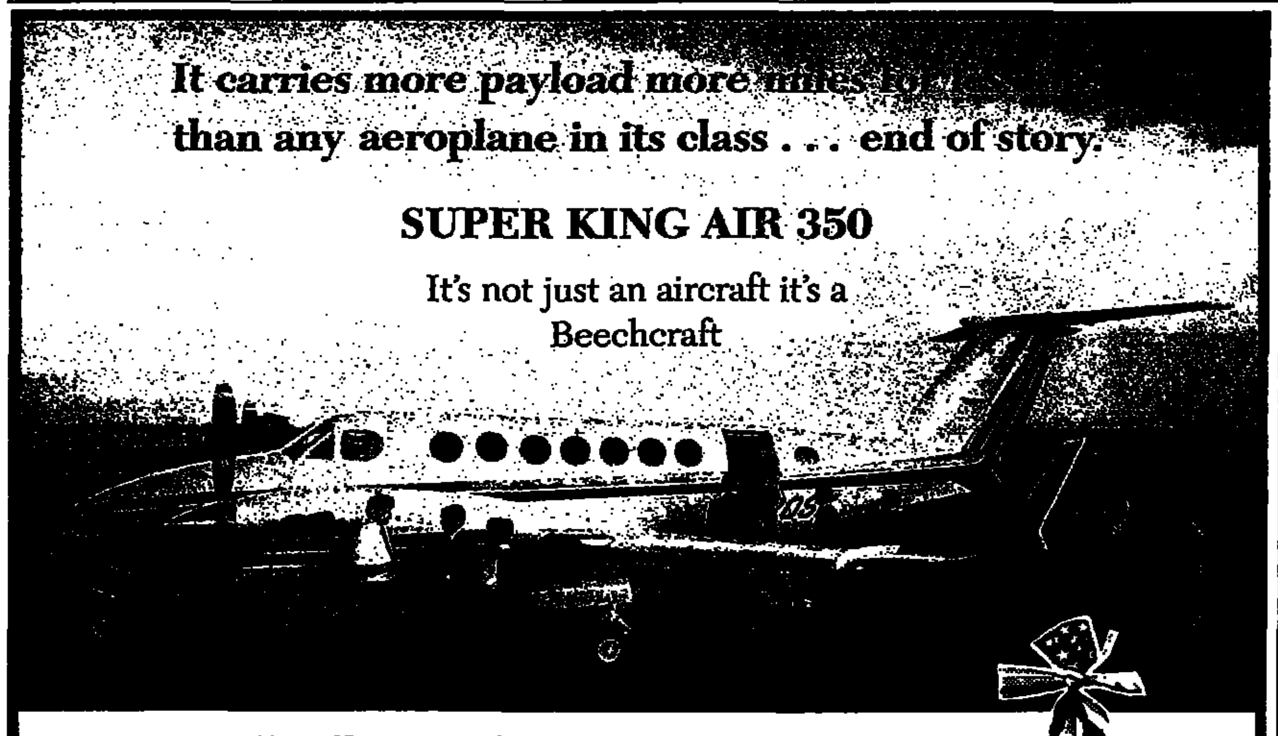
Four other guide series, in particular, are worth mentioning.Fodor, a US group, is long established and publishes a wide range. They list top hotels and good restaurants. They are updated each year, and cater mainly for American travellers. Fodor guides cost just under £10 in the UK.

Diplomatic and business contacts who travel frequently in eastern Europe swear by Insight guides. They are often written by local authors and the first chapters consist of a series of essays on history and culture.

Simon Gaul at the Travel Bookshop recommends the Cadogan guides, which are relative newcomers and are aimed at the upmarket traveller. They are well produced and seem well suited to the business traveller.

The Berlin guide, for example, opens with practical hints, followed by sections on history, suggestions for walks and other attractions. Prices for Cadogan guides start from £9.95.

I prefer The Economist guides which have sections on the economic scene, the industrial scene, business awareness planning and reference, as well as practical information such as the addresses of embassies. But a problem in being so succinct and topical is that these guides quickly become out of date.



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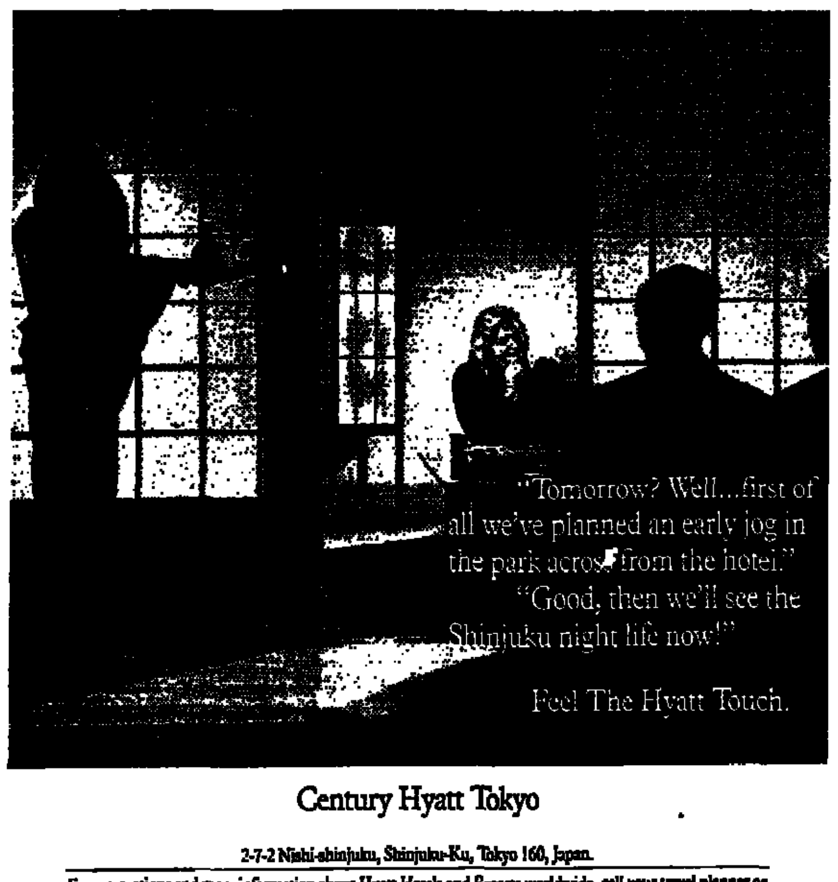

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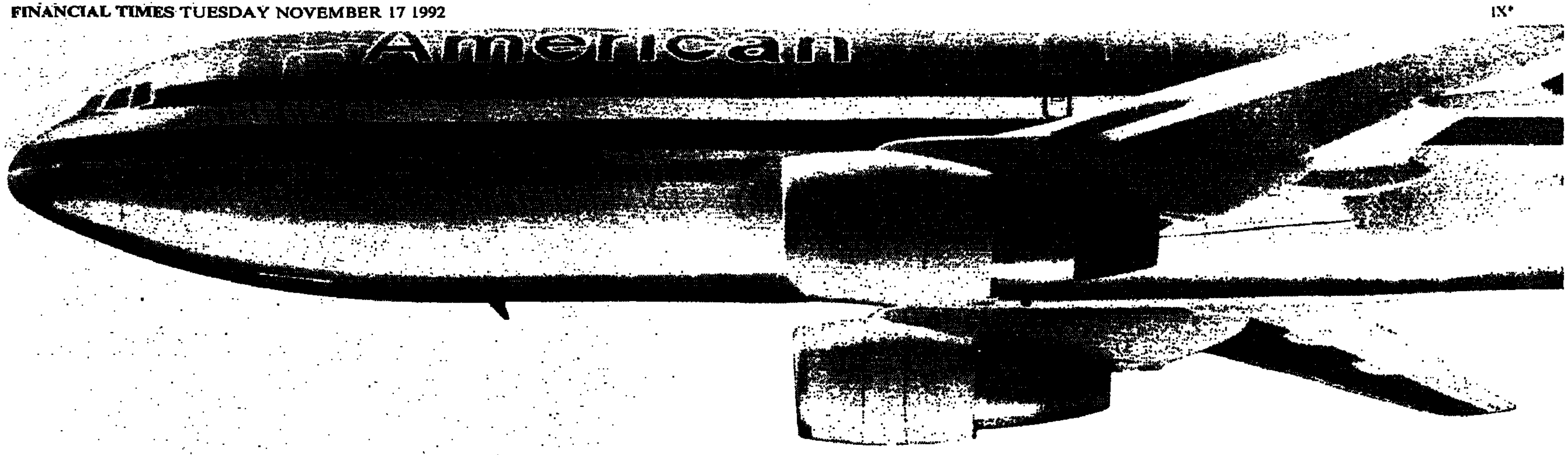

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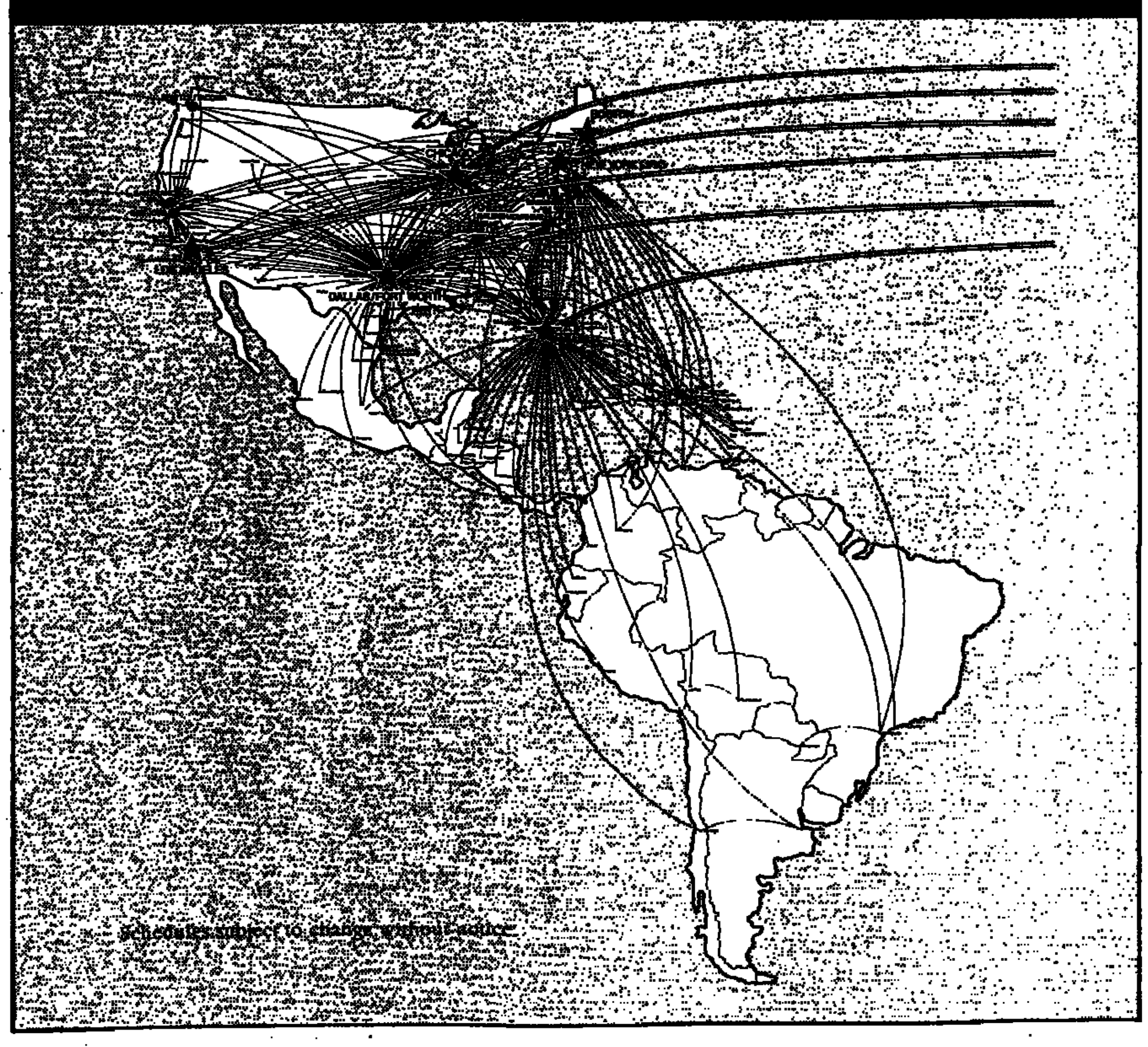

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Flyover: line-up of cars for hire at Heathrow (Picture: Colin Beere)

CAR RENTAL

Driving a hard bargain

CUSTOMERS renting cars have never had it so good. It is now quicker, easier and cheaper than ever before to rent a car.

A combination of the recession and new market entrants has brought innovation and more competitive prices as car rental supply now outstrips demand.

All the leading companies – and there are six significant players in the UK market, Avis, Hertz, Europcar, Budget, Eurodollar and Alamo – have introduced one or all of the following: express desks to save queueing, virtually inclusive prices to eradicate those surprising extras on the bill, speedier reservations and reward schemes for frequent users.

American car hire giant Alamo's foray into the UK market probably started the price war. Although it is one of the smallest operators in the UK its aggressive pricing has been successful at its 17 locations in the country. Some are off-airport.

"We're value for money, it's a realistic price we offer," explains Alamo UK marketing manager Janet Ball. Alamo operates on a national tariff, whereas some of the other car rental companies have different prices for airport and central London rentals. Like its competitors, Alamo has an express product for corporate users. This includes an express desk to avoid queueing, upgrades, guaranteed rates, special offers and discounts. Next year will see the UK launch of its charge card in a further bid to speed up the payment procedure.

The equivalent express product is Club Gold at the much larger operator, Hertz. Geared to the frequent user, it offers no queues, no form-filling or signatures and personal recognition at the counter. It was launched in Europe 18 months ago and is now available at 50 airports in Europe and at 170 in North America.

Avis goes one better, as befits the UK market leader, with an Avis Club umbrella product driven by a personal ID number. This has several benefits. One is a reward scheme called Avis Options launched in May this year with low attainment levels. For example, rent once and receive free parking at Heathrow. Also launched this summer was Best Deal Promise, which triggers the best price from wherever you rent as long as you are an Avis Club member. Preferred Service is geared to a paperless transaction. By signing a direct debit no paperwork is necessary and you go straight to your name box and collect the keys to your car. Also a queue bypass facility called Avis Express has been running for some years.

"You could argue that the recession has brought this on," says Bruce Tranter, sales and marketing director of Avis UK. "People have been educated to think about bargains and prices are being driven downwards."

Book a Group A car (the lowest category rentable car) and drive away in a Group B car at no extra cost, book a Group B car and drive a Group C car instead. And upgrades are not the only perks. Since the recession started, time and mileage tariffs have been substituted by an all-inclusive tariff (CDW – Collision Damage Waiver) but you will probably still have to purchase PAI, Personal Accident Insurance.

Europcar Interrent UK has probably suffered more than most during the recession but has responded with innovation. In autumn it launched an all-inclusive rate called UK Traveller starting at £39.50 a day for a Group A vehicle. But it is not available to the casual walk-up customer;the car must be booked through central reservations to ensure the rate and it is inclusive of unlimited mileage, CDW and value added tax. The only extra is PAI.

UK Traveller is one of four products the company launched in September to simplify car rental. "They aim to take the mystery out of car rental rates. It's one of the biggest issues facing our industry," says Tim Harford, managing director of Europcar Interrent UK.

"We've got to be a little bit different from Hertz and Avis. The industry leaders have adopted gimmicks, like theft protection at £2, £3 or £4 per days but our CDW includes loss arising from accident, damage or theft," says Mr Harford.

The other three products launched in the autumn are UK Traveller Plus, designed for small to medium-sized corporate users spending under £75,000 a year on car rental, which will trigger an unlimited mileage rate.

The third product is Local Traveller designed for the leisure user and starting at £32 a day inclusive of CDW and VAT. The last product is Weekend Rates, including unlimited mileage, CDW and VAT on two, three and four-day weekend rates from £53 a day.

Budget pipped Europcar to the post as regards its rates-driven launch this year. Budget launched fully inclusive rates in July, valid until the end of the year for business travellers at 3,600 locations in 46 countries. The lead-in booking time has been reduced from 24 hours to just 12 hours. (Book through central reservations or on its freephone number.) The minimum rental period is one day. The rate includes unlimited mileage, CDW, all taxes and, unusually, PAI.

"Businesses are really looking more closely at what they're spending their money on," said a Budget spokesperson. "Some companies are taking out the pool car and substituting a rental car as and when required. It's far cheaper that way."

The $64,000 dollar question is how long can it last? More and more car rental companies are now located on-airport, which has intensified competition and driven down the margins.

"Margins are not good in the short term," admits Mr Tranter of Avis, "but we're offering better products so we'll get bigger volume."

"The industry is not in the medium term going to be able to offer the same level of deals," believes Europcar's Harford. He believes that as car rental companies have to start to absorb the residual values of second-hand cars so rates to corporate customers will increase, by around 10 per cent. "The margins are very thin on major accounts," says Mr Harford. "We're under great pressure."

Gillian Upton

Editor, Business Traveller magazine

HOTELS

Small, intimate and private

BIG IS not always best when it comes to choosing an hotel. Cavernous lobbies, throngs of people queueing to check in or check out, or to use the lifts, restaurants and conference facilities are not everyone's idea of a hotel stay.

And it need not be. Smaller, independently-run hotels have come into their own over the past few years as they are the antithesis of the big, impersonal, all-steel and glass hotel of the Eighties.

The smaller hotel sells itself on intimacy, privacy and a more restful atmosphere.

The big chains obviously still offer advantages such as a spread of properties worldwide and consistency of product – especially preferable in Third World countries. Membership of loyalty clubs in the big hotel chains offers benefits such as early check-in, late check-out, room upgrades, room guarantee at busy periods, and so on.

Standing up for the Small is Beautiful lobby is Small Luxury Hotels of the World (SLH). It was launched as a hotel consortium in January 1991. Some 90 hotels situated in 16 countries, not one of them part of a large chain, they are mainly in the four- and five-star hotel categories. Members include Raffles in Singapore, the Lancaster and Balzac in Paris and the Ritz in London.

"People don't like standardisation any more. We offer a more personal service," said Brian Mills, managing director of SLH. Not all SLH properties have 24-hour room service or business centres but all have concierge and valet.

In tandem with this move has been the emergence of smaller-sized hotel groups – in the deluxe and lower echelons – which also offer this same mix of comfortable ambience and high quality service, in hotels not usually offering more than 200 rooms. For example, the exemplary standards of the Rafael group of hotels, all in old character buildings, such as the Rafael-managed 132-room Breidenbacher Hof in Dusseldorf.

Meanwhile, much larger, deluxe hotel groups synonymous with ultra modern buildings are surprising the travelling public. Four years ago, Inter Continental opened in a beautiful landmark building called The Willard in downtown Washington DC. The Hyatt hotel chain has segmented into smaller properties called Park Hyatt. The Four Seasons-owned Regent group is soon to open in a 14th Century former monastery in Milan.

In the UK, some of the four-star properties in the Edwardian Hotels Group are located in old buildings. For example, a row of 10 Regency terrace houses was converted into the 224-room Vanderbilt Hotel on London's Cromwell Road.

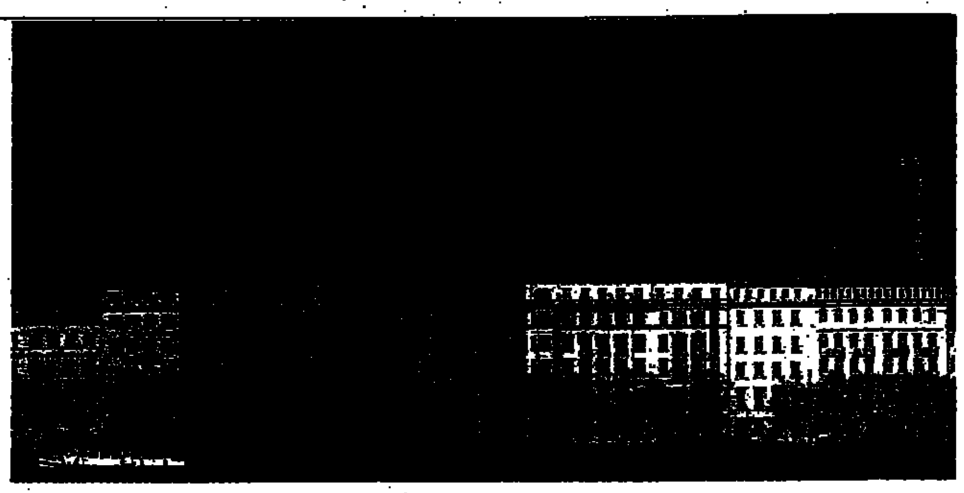
Another group, Sarova, which has half a dozen four-star hotels in London, has a few gems, such as the Rubens, a 189-room hotel in Victoria dating back to 1912. Rooms are decorated in Regency style.

Common to all these hotels, large or small, is new technology, which is releasing hotel staff to spend more time on customer service. The Inter-Continental hotel chain which, together with Sheraton, are the foremost business-oriented hotels in the world, is using high-tech in this way.

Members of InterContinental's hotel loyalty club, called the Six Continents Club, receive an innovative no-stop check-in as well as a raft of usual benefits such as priority reservations, late check-out and room upgrades. Each customer is pre-registered, collected from the airport and, five minutes before arrival, the driver calls ahead so that the car can be met by the guest relations officer and the customer whisked straight to his/her room. This has been tested for the past six months at Inter Continental's London, New York and Berlin properties.

"That's infinitely better than seeing the top of their head behind a counter," explained Bob Collier, senior vice-president strategic marketing at InterContinental.

Holiday Inn has realised that its least motivated and lowest paid workers get to meet the customer first, at the front desk. In an attempt to improve customer service it is introducing two technology-driven enhancements, better training modules, particularly for these staff, and a more sophisticated reservation system which should respond more quickly and find room for the long-stay customers which were being refused bookings through its incumbent system, Holidex.



Prized accommodation: Hamburg's Hotel Vier Jahreszeiten received Business Hotel of Europe award

Technology-driven customer profiles are standard to most hotels. Spreading fast are toll-free booking numbers (freephones), points for a fax or laptop, video check-out, breakfast ordering by TV (available in Marriott and Sheraton hotels), Voice Mail (an answerphone facility in the room pioneered by Westin hotels), and live reservation systems which allow the customer an instant confirmed booking. In general, new hotels are in the vanguard of high-tech gadgetry.

Smart, independent hoteliers can still offer some of the technology advantage, without the capital outlay, by joining a marketing or reservations consortium. SLH's much larger rival is Leading Hotels of the World (LHW) while in the three and four-star sector there is, for example, Best Western and a relative newcomer to Europe, Flag International Hotels.

Flag boasts more than 500 three- and four- star hotels, most of which are privately-owned and mainly located in Australia and New Zealand.

"All our properties are on-line to our live reservation system so it's a guaranteed reservation. There's no chance of horror stories like someone turning up and having never heard of the booking " says David Curtis-Brignell, chief executive officer of Flag International Hotels.

Gillian Upton

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Gillian Upton on problems faced by businesswomen

Unladylike practices

"IT'S RARE to find a friendly receptionist who isn't patronising and who doesn't tell everyone in the reception area what your room number is."

"Stewardesses pay little attention to women travellers, they are far too busy 'fawning over' male business travellers."

"Restaurants seem embarrassed to have women eating alone and put them in a corner and frequently forget them."

These quotes illustrate some of the problems encountered by the growing band of female travelling executives. The comments have been taken from various surveys of women travellers undertaken by The Businesswoman's Travel Club (BWTC) since setting up in the UK in the late Eighties to persuade the travel industry – principally airlines, hotels and restaurants – to change its attitudes towards women and to take account of their practical and security needs.

The travel industry has been slow to wake up to the needs of female business travellers. It was so easy when the majority of business travel was undertaken by men; facilities and services were developed to meet their needs expressly.

But two things have changed. The global recession has forced the travel industry to go after any business, particularly those smaller market segments they could afford to ignore in the good days. Second, the growth, albeit from a small base, in the number of travelling women executives has been significant over the past couple of years.

American Express believes that the number of women travellers in the UK alone has jumped from 11 per cent in 1989 to 17 per cent last year.

Hotels generally have to be credited with attempting to improve in-room facilities over the period although this improvement is not industry-wide. Hotels aware of the problems have installed skirt hangers, hair dryers, better lighting, better-positioned mirrors and bathrobes. But there is still a problem getting irons in rooms.

Other items that women travellers have lobbied for fall into the security area so are pertinent to both sexes. Most good hotels now have in-door spy holes and door chains.

Product enhancements in hotels (and some in airlines, male or female overnight toiletry kits, for example) and female images in industry advertisements have silenced some of the critics, but staff attitudes have not changed.

Far Eastern airlines, in particular, still fawn over the men. At check-in, airlines often ignore women, presuming them to be travelling with the man in front and also presume women have a greater tolerance of crying babies by sitting them next to mothers with children. Stewardesses still assume the man sitting next to a woman is her husband.

Hotels and restaurants general adopt the same attitude, assuming that women are not there on business. Even though a woman has made it clear she is the host, the waiter will still give the wine to the man to sample and also present him with the bill. It is common to hear of restaurant staff sitting lone women at the worst table – by the kitchen door, toilets, or behind a pillar.

Restaurants seem embarrassed to have women eating alone and put them in a corner

It is no wonder that so many women choose not to patronise hotel bars and restaurants and opt for an in-room video and room service. Some hotels attempt to circumvent this problem by reserving a table in their restaurant for individual women to meet and eat together. One London hotel which runs this is the Langham Hilton. "Our biggest complaint from women was having to sit in their room on their own," explained general manager Rudi Jagersbacher. "We have two or three people using it each evening."

However, the most vociferous lobbyists would prefer that the problem be tackled at source by changing attitudes, which are ingrained, particularly in older staff.

"One of the toughest things is to re-educate the staff," admits Ramon Pajares, general manager of Four Seasons Inn on the Park in London. His comments also reflect the pan-European situation as he is also general manager and regional vice-president Europe for EHMA (European Hotel Managers' Association).

"Younger staff can handle it so much better; they only need guidelines from management," says Mr Pajares. "It's a problem in older staff, they need repeated training. You can't give them a lecture once and forget about it, you have to monitor it. You must tell them not to place women in a corner, to talk freely to them as they would any man on his own, and so on.

"More than anything else staff don't know how to handle the situation. They either overreact and alienate the women or ignore them."

The BWTC culls the opinions and comments from its 200-strong UK members to offer a database of hotels recommended for their positive attitude and pertinent facilities for female travellers. In the French capital Le Crillon makes the list, in New York the Penta, Plaza and Lowell, in Hamburg the Hotel Europaischer Hof and Hanseatic, in London the Basil Street Hotel and at Gatwick the Stanhill Court hotel.

"You can put locks on the doors but if the front office staff still show the room key number or shout it out it's still no good," explains Ros Martin, general manager of the BWTC.

"Attitudes are improving but there's still a long way to go," says Mr Martin. "Individually-run hotels do it better than chains – with the exception of the Lady Crest rooms at Forte Crest – and we do find that those hotels managed by women are more aware of the problem."

In London, for example, only four of the big chain hotels are run by women general managers: The Sheraton Belgravia, Athenaeum, Conrad Chelsea Harbour and the May Fair Inter-Continental. Some 20 per cent of the clientele of the May Fair is female. General manager Dagmar Woodward believes the higher ratio of female receptionists now standard to most hotels has helped ease the attitude problem.

"I think what is important is not getting special or different service but the same service, with the exception of security. Well-lit corridors are important and we put female guests as close as we can to the lifts, on the main corridor," she says.

"What's important in a restaurant is not being put in a corner, or next to a single man or four rowdy men. Women also have more self-assurance now, and that helps too."

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FINANCIAL TIMES SURVEY

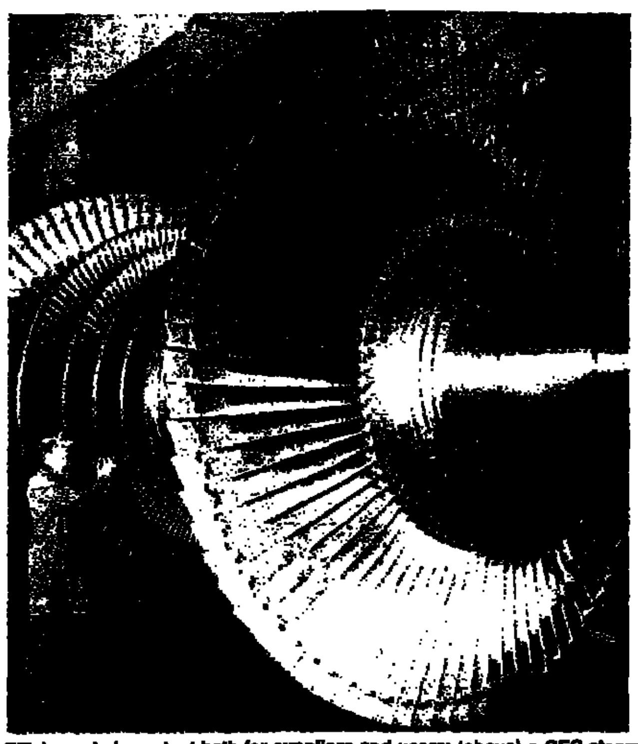
ENERGY EFFICIENCY

SECTION IV

Tuesday November 17 1992

The present energy glut contrasts with the 1970s oil shortages which turned conservation into a burning issue. Today the efficient use of energy is regarded as good for business and vital for the earth's environment, says David Lascelles

A change of priorities



Efficiency is important both for suppliers and users: (above) a GEC steam turbine; (right) a low-energy Laing home in Potters Bar, London

WHO needs energy efficiency?

Why bother about conserving energy if fuel resources will be abundant well into the next century? Why invest in more efficient machinery if the price of oil is at its lowest in real terms for 20 years? Why alter your lifestyle if it is not endangered?

Alas, for the energy efficiency industry, there are no compelling answers to any of these questions, which probably explains why many of its members are gripped by a sense of frustration these days. The old arguments about looming scarcity, insecure supplies and threats to ways of life have lost their sting. The world has survived the nightmare scenario of a major war in the Gulf with its energy lifelines intact.

It may be, of course, that the prevailing attitudes are profoundly misplaced and are fostering a dangerous level of complacency. Yet the abundance of world energy resources was reconfirmed only two months ago at the World Energy Congress in Madrid. The WEC's experts said: "...there is no global shortage of primary energy now, and none is anticipated to 2020."

The WEC also concluded that the price of oil, which effectively dictates all energy prices in the long run, will rise little in real terms before the second quarter of the next century.

"Nobody will feel pressures in the next five to 10 years by using energy at the same level of efficiency as they do today," says Dr Lee Schipper, an energy efficiency expert at the Lawrence Berkeley Laboratory of the University of California. He recounts that while recently staying at a hotel in Stockholm, the shirt he sent for cleaning was handled by a laundry 30kms out of town. "That shirt travelled 60 kms just to be washed," he notes.

So what do the conservationists have going for them today? They can still rely on the puritanical streak in advanced industrialised countries which accepts that energy conservation is a good thing in itself. They can also count on the steady underlying gains in efficiency which happen anyway, spurred by competition and the spread of technology, amounting to about one per cent a year.

Large strides continue to be made in energy efficient techniques, notably in the power generation industry where new turbines can at last produce more power than waste heat. This decade should also bring substantial efficiency gains in East Europe and the former Soviet republics where wasteful habits are rapidly being driven out by the transition to market economics.

But the achievement of major advances in industrial countries will need an important new stimulus.

The most likely one to emerge is concern about the environment. Worries on this score have grown steadily as the danger of global warming has touched the public imagination. Since the greenhouse gases which have been blamed for the phenomenon are largely caused by consumption of fossil fuels, a remedy clearly lies in energy conservation.

This year's Earth Summit in Rio de Janeiro provided a focus for action. But the debate there showed up deep divisions within the industrial nations about the seriousness of the threat. The member countries of the European Community adopted a target of reducing their carbon dioxide emissions to the 1990 level by the year 2000. But the US remained unconvinced of the need for such defined goals.

As a result, Rio failed to produce a concerted plan of action. The international treaty on climate change which was adopted there contained no deadlines or targets on carbon emissions and was widely denounced as a flop. Since Rio, the persistence of the world recession has further dampened enthusiasm for measures at either global or national level.

In the UK, the crisis over the run down of the coal industry could even lead to postponement of the carbon emission targets because the government may be forced into promoting coal use to save miners' jobs.

The weakness of the environment as a spur to greater energy efficiency is that – unlike the threat of fuel shortages – it does not drive up prices and unleash corrective market forces. If it is to have any effect it will have to be through government action, either regulation or taxation.

The last 12 months have seen much debate about a possible carbon tax to promote greater energy efficiency. The EC Commission has been designing a plan for a such a tax, starting at the equivalent of $3 per barrel of oil, rising by annual $1 increments to $10.

There are, however, considerable doubts whether this would have much effect. The greatest emission reductions need to be achieved in transport – the sector which has historically made least progress – but petrol is already so heavily taxed that even $10 a barrel would not be prohibitive. Politically, too, the tax has made little headway because of the reluctance of individual countries to adopt a measure which would handicap their export industries. Although EC environment ministers agreed to explore the idea, the likelihood of it being adopted in the foreseeable future is remote. Both the US and Japan are unenthusiastic.

Thus energy efficiency remains in the domain of national initiatives. Some are substantial. Italy is proposing to spend Lire 2,611bn over three years on a conservation grant programme which it hopes will save the equivalent of 4m tonnes of oil a year (about 2.5 per cent). But many are also very small, commensurate with the low level of the perceived threat.

Much of the problem is that individuals and businesses are reluctant to invest in energy efficiency. Dr Colin Myerscough, director of industry and general policy at the UK's Energy Efficiency Office, identifies three main barriers: lack of information, low capital priority, and hidden costs such as extra wiring needed to install energy efficient appliances. There are further barriers in a tax system which favours domestic fuel consumption over conservation equipment, and a regulatory regime which rewards the electricity industry for selling as much electricity as it can.

This means that governments will have to take the lead. "Energy efficiency can only become real if tens of thousands of people invest money in it. And that means governments spending money," says an official at the Paris-based International Energy Agency.

The potential for efficiency improvements is, by common consent, very high.

In a study for the Stockholm Environment Institute, Dr Schipper forecast that energy intensity would fall by 24 per cent by the year 2010 if existing trends continue. But if an "efficiency push" was launched through a 35-50 per cent increase in energy prices, energy intensity would fall by 41 per cent. Some of the biggest gains would come through more efficient home heating, and a rise in the miles per gallon achieved by the average automobile from 26 to 35.

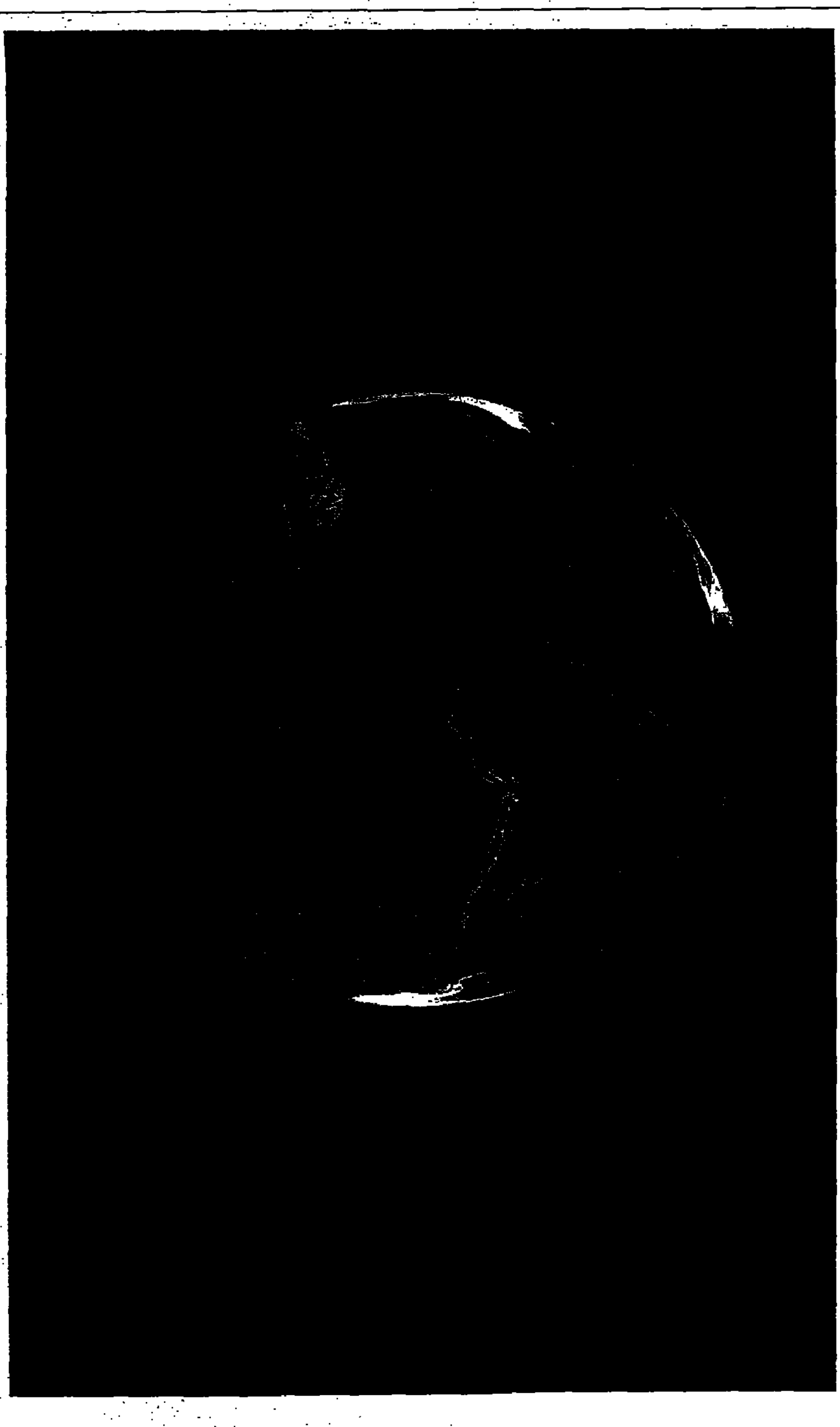
But with a "vigorous effort" based on energy prices 50-100 per cent higher, energy intensity could fall 60 per cent. Here, cars would do 60 mpg, aircraft would consume half as much fuel as they did in 1985, and home appliances 75 per cent less electricity than they do today. The spur to change on this scale, Dr Schipper says, would be "a massive commitment to reducing carbon dioxide".

As things currently stand, however, changes of this order are little more than pie in the sky. The World Energy Congress concluded that the annual global increase in energy efficiency should be raised from its present level of 1.6 per cent to 2 per cent – a small enough rise in appearance but one which, in practice, could prove painfully hard to deliver.

"The message of the WEC is that western industrial countries can do something about energy efficiency, and ought to – to help conserve energy resources and protect the environment," says Mr Richard Tinson, director of the National Energy Foundation, a UK charity which promotes energy efficiency in the home.

But the sluggish response to calls for greater efficiency does not necessarily mean that the case for energy efficiency lacks force: the existence of a large energy efficiency industry, ranging from research through manufacturing to proliferating consultancies is evidence that large sums are spent in this area. However the case cannot have been made sufficiently convincingly if potential and reality remain so far apart. Time will tell whether the gap is due to imprudence or a hard-nosed reading of the facts.

IN THIS SURVEY



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EC programmes are under pressure, writes **Bronwen Maddox**

Fences become higher

MEASURES to improve European energy efficiency are under threat from economic slowdown, rising transport volumes, integration of the former East Germany and arguments about the acceptable form of an energy tax.

Those are the underlying messages of recent environmental reports from the European Commission and of its investigation into new directives to encourage energy efficiency.

The EC's use of energy has risen steadily in the past decade, mainly because of the growth of road and air transport. The most recent comprehensive figures show that in 1989 the EC – which did not then include the East German Länder – consumed 752.8m tonnes of oil or oil equivalent (mtoe), an 8 per cent rise on the 1981 level.

During that period the use of energy by transport, which accounts for nearly a third of EC energy consumption, grew by 31 per cent, more than offsetting the 9 per cent fall in industrial use of energy.

The EC has a long-standing target of improving the efficiency of final consumption of energy by 20 per cent between 1985 and 1995. At the Rio Earth Summit in June it added a second energy-related objective: the stabilisation of emissions of the "greenhouse" gas carbon dioxide, mainly produced by burning fossil fuels, at 1990 levels by the year 2000.

The EC's record is by no means the world's worst – in

European energy use has risen steadily with the growth of road and air transport

1989 the 12 EC countries emitted 760.9m tonnes of carbon, or 12.9 per cent of the world total. That translates to 2.34 tonnes per capita, less than half the US's level of around 5 tonnes per capita and compared with 0.2 tonnes per capita for developing countries.

However, it has been clear that the EC targets would be unachievable without new measures. The Community's policy has had three main planks: its SAVE programme to encourage energy efficiency; a proposed tax on energy and its carbon content to encourage energy conservation; and separate national measures.

SAVE – the Specific Action for Vigorous Energy Efficiency (SAVE) programme – was proposed two years ago following anxiety that the Community was making little progress towards its targets.

The latest draft directive, published in June, lists seven measures for countries to take:

- certification of carbon dioxide emissions from buildings caused by energy use;
- billing heating, air-conditioning and hot-water costs on the basis of consumption, not flat rate tariffs;
- promoting third-party financing of energy efficiency investments in the public sector;
- thermal insulation of new buildings;
- regular inspection of boilers;
- regular inspection of cars;
- energy audits of businesses.

Expectations of SAVE were initially high. In the November 1990 proposal for the programme, the European Commission projected that SAVE would reduce the final demand for energy in the EC in 2010 by 100 mtoe per year, a reduction of 12 per cent compared with levels if the programme was not introduced. It would also cut primary demand for energy in 2010 by 160 mtoe per year, and cut carbon dioxide emissions by more than 500m tonnes per year – more than 15 per cent lower than projected levels.

However by June 1992, estimates of its impact were nearly nine times lower – a reduction in carbon dioxide emissions of only 61mt.

Mr Andrew Warren, director of the European Association for Conservation of Energy, says "SAVE now is a sad thing compared to what was originally envisaged. Nowhere does the draft directive specify what countries must do, beyond 'taking appropriate measures'. Originally there were quite specific standards."

One reason for the scaling down of projections appears to be cost: countries and their national utilities have been reluctant to foot the bill for the necessary investment and marketing, particularly in mid-recession. A second reason appears to be that political attention switched to the more ambitious and more controversial proposals for a carbon or energy tax.

EC countries have made clear that they cannot hope to stabilise carbon emissions without a tax, and the Commission has proposed an initial level of $3 a barrel of oil or oil equivalent, rising to $10.

The German government has given particularly strong backing for the proposals, partly because the integration of the former East Germany has sent its carbon emissions soaring.

Of the 1bn tonnes of carbon dioxide emitted by Germany each year, around a third comes from the eastern states although they have only a fifth of the combined population. They are still heavily dependent on lignite, a particularly "dirty" form of energy. Although lignite, or brown coal, is gradually being phased out, the number of cars in the east is rising fast – the government projects it will soon double.

However, German industrialists have bitterly attacked their government's support for

The eastern lignite power stations have exacerbated Germany's carbon pollution

the tax, saying that it could cost German industry DM 12bn-15bn by 2000, and that the consumer will ultimately bear the costs.

The Commission's studies acknowledge the side-effects of the medicine – they estimate that the proposed tax could cut 0.25 per cent off EC real GDP growth in the second and third years after introduction, and 0.07 per cent over the first 13 years. The political difficulties in introducing the tax are therefore great, particularly with several countries on the brink of sharp recessions.

Proposals for the tax are now stalled while the EC countries reflect on the costs and consider whether they could afford to introduce it unilaterally, even if the rest of the OECD countries did not.

Economic slowdown – which is just beginning to affect several of the continental European countries – is making the EC's energy efficiency and conservation measures *more difficult to implement*. At present, in spite of several years of intense discussion, much less progress has been made than was envisaged and the targets still look elusive. The one compensation is that recession is also reducing the demand for energy and reducing the emission of unwanted gases – but that is not a long term solution.

Clinton and Gore will move with caution, says **Karen Zagor**

Here come the ozone men

IT IS said that Bob Crandall, head of American Airlines, walks through company headquarters switching off lights before leaving work in the evening.

Mr Crandall's idiosyncratic approach to reducing energy consumption, though perhaps apocryphal, illustrates US industry's changing attitude towards energy efficiency in a nation wary of regulation.

The departing Bush administration has been sharply criticised by environmental groups and politicians for its reluctance to mandate any legislation towards environmental protection, preferring to rely on incentives to encourage corporate and industrial responsibility.

President Bush's credibility as the "environmental president" was shaken severely at this summer's Rio Earth Summit, partly by his reluctance to attend the summit at all, and partly by his moves to weaken a treaty to combat global warming and his refusal to sign a treaty to protect endangered species.

With a new administration ready to take office at the end of the year, a large question mark hangs over industry about future policies. It seems safe to assume that the new administration will be more receptive to legislation aimed at encouraging efficiency and protecting the environment. Vice president-elect Al Gore has a reputation as an environmental activist. But it seems equally probable that the Clinton administration will continue to pursue an environmental policy which does not undermine jobs or the economy.

In the area of petrol consumption, for example, Mr Clinton's position appears somewhat flexible. During the election campaign, Mr Clinton said he supported higher fuel-economy standards of 40 to 45 miles per gallon from their present levels of 27.5mpg. Following a study by the Natonal Academy of Sciences which raised questions about the practicalities of increasing fuel economy standards above 37mpg, Mr Clinton indicated that the higher range was merely a goal.

Although the US has improved its efficiency significantly since the 1970s, energy efficiency does not come naturally to a nation with a wealth of natural resources. The US has about 25 per cent of the world's coal reserves, and low

Clinton and Gore: protecting employment will come first

energy prices, which do not reflect the full costs of production and use, have further encouraged consumption.

The biggest improvements in efficiency have been made in space heating and driving. But in other areas, such as homes, appliances and buildings, the US uses some 30 per cent more energy per unit of activity than other countries. In addition, it is estimated that the US emitted 22 per cent of the world's carbon dioxide in 1989, although it has less than 5 per cent of the world's population.

While there is a growing acceptance of the benefits of energy efficiency in the US, there remains a large degree of uncertainty about what role, if any, federal government should play in enforcing programmes. A recent study by the American Council for an Energy Efficient Economy found that: "Energy efficiency improvements lead to more jobs and higher personal income at the national level, in addition to saving consumers money, reducing energy imports and cutting pollutant emissions associated with energy."

Earlier this year, Mr Steve Nadel of the American Council for an Energy Efficient Economy told a congressional briefing that the Department of Energy could do more to improve the efficiency of electricity generation. According to Mr Nadel, power production efficiencies could be improved to about 40 per cent from 30 per cent by using modern generating equipment.

To date, the government's main thrust has been to persuade business that energy efficiency saves money. The Environmental Protection Agency (EPA) has developed an energy efficient lighting programme, called Green Lights, aimed at reducing air pollution by encouraging companies and local governments to replace existing lighting systems with more energy efficient equipment.

Participation is strictly voluntary, but the EPA has made great strides in persuading companies that they will save a significant amount of money by enrolling in the programme. According to the agency, more than 425 businesses have enrolled in Green Lights since it was launched in 1991. The EPA estimates it has been installed in 2.65bn square feet of office space, saving about $6bn a year in utility bills.

Following the success of its Green Lights initiative, the EPA recently introduced a second programme, Energy Star, to encourage computer manufacturers to produce energy efficient personal computers.

The programme is aimed at addressing the surge in electricity use among businesses, largely because of the increased presence of high technology and power-dependent equipment in offices. About 5 per cent of electricity consumption in the commercial sector is used by computers, and this is expected to double by the year 2000.

Most of the biggest computer makers in the US, including Apple Computer and IBM, have signed the EPA agreement to market energy-efficient personal computers and monitors which will automatically switch to low energy consumption when not in use. These measures could cut personal computer energy consumption in half, producing savings of about $1bn in annual power costs.

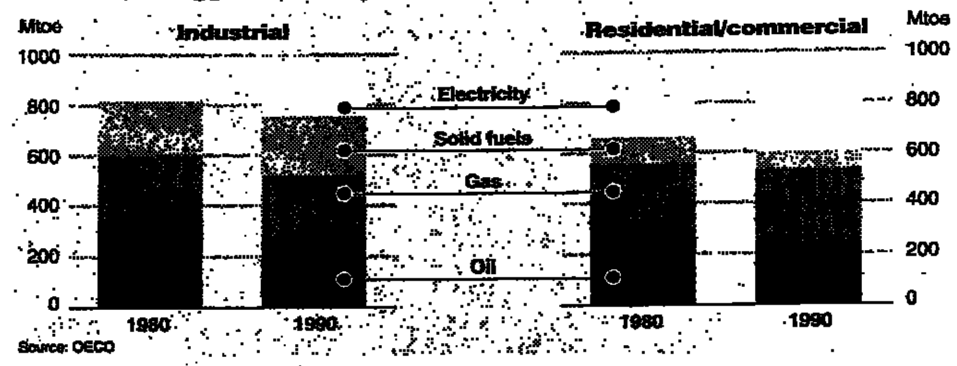
In addition to the EPA's attempts to get businesses to improve their efficiency voluntarily, there have been some regulations passed in recent years to encourage efficiency. Around 20 US states now allow utilities to earn a return on their investments in conservation programmes such as energy audits. As a result, Pacific Gas and Electric offers customers incentives to improve their energy efficiency, which the utility estimates will save about 18m tonnes of carbon dioxide in the next 10 years.

There is also legislation to set minimum efficiency standards for lamps, electric motors and small commercial heating and ventilation.

Some companies are implementing conservation policies of their own. Minnesota Mining & Mineral (3M), for example, has introduced a programme to reduce its energy use by 20 per cent between 1990 and 1995.

Meanwhile, industry and environmentalists alike can only wait to see what the Clinton presidency will mean for further efficiency initiatives in the US.

OECD energy consumption



Source: OECD

The low unit cost of gas is a real temptation to anyone choosing between gas and electric processes.

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INVESTELECTRIC

Japan sets a cracking pace, reports **Andrew Warren**

Lessons for the west

JAPAN is widely acknowledged as the world leader in the field of energy efficiency and the exemplar for other developed industrial countries in getting value from the fuel they burn.

A wide panoply of financial and other incentives has been deployed by government and business organisations to help industry, business and householders to use energy more sparingly.

They include:

- free energy audits for companies of 300 employees or less;
- tax concessions on investment in new energy-saving equipment;
- credit for conservation measures, including co-generation schemes, from numerous sources, including the Japan Development Bank;
- low interest loans from the Housing Finance Corporation to help pay for insulation and efficient water heaters;
- annual observance of a national energy saving month every February.

It is not easy, however, to compare Japan's performance with that of other countries. The conventional mechanism for comparing different countries' programmes is to divide their Gross National Product by energy consumption. This measure is favoured by the International Energy Agency and, by this yardstick;the Japanese record is truly impressive.

In the 15 years after the Yom Kippur War first alerted the world to the danger of energy profligacy, Japan succeeded in using 34 per cent less fuel to produce the same amount of goods and services. In contrast, the UK was using 25 per cent less energy per unit of GDP, the US 26 per cent less.

Relying only on the GDP/energy ratio can be misleading, however. A country which chooses to de-industrialise and concentrate upon service industries can appear vastly to improve its ratio, but in practice it does little to reduce wastage. Put simply, an insurance broker can create the same amount of GDP as a steel worker – but by definition he requires far less fuel to operate.

Nations which cut back on their manufacturing output during the 1980s can thus report superficially attractive energy efficiency improvement figures, the UK being an obvious example. That did not happen in Japan.

During the 1980s it developed into a powerhouse producing many of the world's key consumer durables. Strong domestic demand gave Japanese companies a firm base from which to export, stimulating frequent model changes to keep demand high.

One can argue that Japan's discipline in energy usage was an integral factor in bringing about this economic success. A detailed study of the Japanese energy scene* yielded seven key conclusions:

Strong home demand in the 1980s gave companies a firm base from which to export

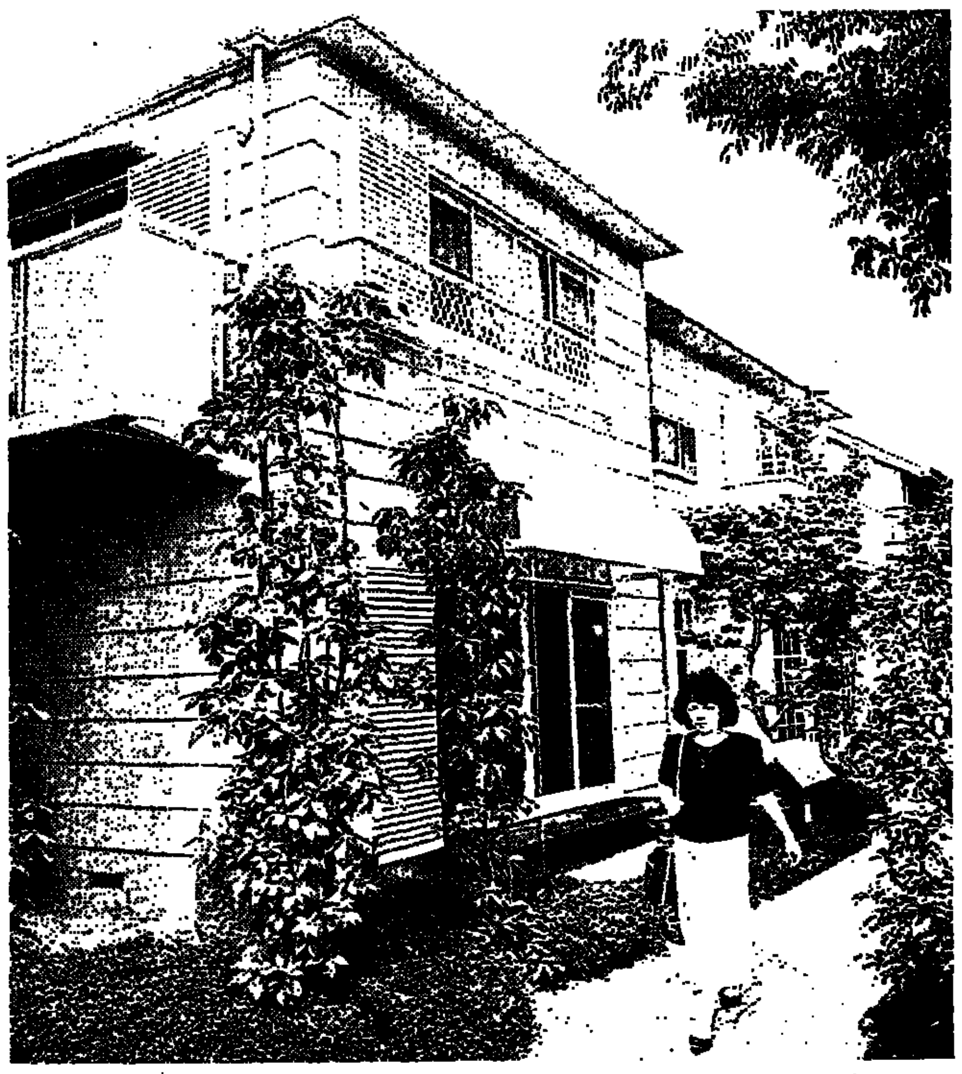
- a successful energy efficiency programme can play a key role in expanding international competitiveness. Symptomatic of this is the recent initiative to inaugurate centres around the Far East to promote Japanese energy efficiency technologies, as part of the world-wide response to the threat of climate change.
- successful energy saving programmes require long-term objectives, with policies set accordingly. Once introduced, initiatives are maintained and not, as in Britain, left to run on a stop-start basis.
- minimum efficiency standards are needed for industrial plant, for buildings and for appliances. These require regular updating and to be mandatory not voluntary.
- these standards or "sticks" need to be accompanied by "carrots". Japan uses a wide range of incentives, grants and regulations to encourage energy conservation investments.
- although fuel prices are appropriately 40 per cent higher than in Europe as expressed in conventional exchange rate terms, in terms of cost to disposable income the difference is not that great. It is a myth that higher fuel prices alone have stimulated Japanese energy efficiency.
- a single agency, under the industry ministry, MITI, with considerable finance and influence throughout Government, administers the programmes.
- Japanese companies are required by law to have well-trained and qualified engineers in place as energy managers. Attempts by the European Commission to replicate such training requirements were withdrawn earlier this year, perceived as a breach of the concept of "subsidiarity".
- most important is the establishment of the principle that economic growth does not require more energy use. (In the UK, by contrast, the decline in GNP since 1990 has been accompanied by higher energy use.)

This principle seems to be accepted by the Japanese people, most of whom do not wish to see more energy consumed than at present. Indeed, a majority are willing to sacrifice increases in living standards to improve the world's environment.

These conclusions were drawn from a recent extensive opinion survey of 3,750 Japanese. It was initiated by the Prime Minister's office, following his Government's commitment to stabilise green house gas emissions. It was intended to provide evidence about how individual Japanese felt about the best way to achieve such stabilisation.

Only 32 per cent thought that more energy consumption was needed for an improved economy. Contrary to some Western stereotypical views of alleged Japanese indifference about the environment, 40 per cent said they were personally willing to retain present levels of energy use, and a further 14 per cent to reduce levels, to aid the environment.

* *Lessons from Japan;* Association for the Conservation of Energy 9 Sherlock Mews, London W1M 3RH; £15



Homes built by an offshoot of Toyota, the carmaker (Picture: Ashley Ashwood)

■ UNITED KINGDOM

A spanner in the natural gas works

THE major review of energy policy which was recently announced by Mr Michael Heseltine, the trade and industry secretary, could throw a spanner into the energy efficiency works.

Prompted as it was by the public outcry over closure of the coal pits, its unspoken purpose will be to find ways of sustaining demand for power, and particularly coal-fired power.

To people interested in energy efficiency, this can only mean one thing: less efficiency. Although a review of environmental and energy efficiency targets is not officially on the agenda, ministers admit privately that these may well suffer from the pressure to burn more coal. Among the options before the government are to postpone deregulation of the electricity market in order to delay the switch from coal to natural gas, or to scrap part of the UK nuclear programme to make room for more coal-fired stations. Both these options would increase the UK's carbon emissions.

The UK claims average efficiency for an industrial state, comparable with France

Mr Heseltine has promised a White Paper early in the new year, and says he will propose changes to the law if necessary. The irony is that this is happening only five months after Mr John Major, the prime minister, subscribed to pledges at the Rio Earth Summit to try and reduce emissions of harmful greenhouse gases.

Those pledges were going to be difficult enough to achieve at the best of times. Like other EC countries, the UK has promised to bring output of carbon dioxide back to its 1990 level by the year 2000. The level registered in 1990 was 160m tonnes. The government recently scaled down its forecast for the year 2000 (in light of lower-than-expected economic growth, principally). But at 166m-201m tonnes it remains disturbingly high.

Government officials maintain that there is scope to bring that down by a further 20m tonnes, but it would require a major effort on the conservation front, since the UK is among the larger emitters of greenhouse gases in Europe.

The UK's overall position on energy efficiency is average for an industrial country. According to the Energy Efficiency Office, which is part of the Department of the Environment, it is comparable to France, slightly better than West Germany and slightly worse than Japan in terms of energy consumer per unit of GDP. It does a lot better than the US. Its carbon dioxide emissions are about 2.7 per cent of the world total, and amount to 2.8 tonnes per capita, close to the European average.

Thanks to a string of energy efficiency and environmental measures, progress has been made on a number of fronts. Industrial, power station and domestic emissions have been stable or declining for the past two decades. One of the more promising developments is the growth of combined heat and power (CHP) schemes to produce usable heat as well as electricity. These can be applied to hospitals, large hostels and industrial sites. The environment department estimates that there are currently CHP schemes at 600 sites in the UK accounting for three per cent of electricity generated.

But emissions continue to rise in the transport sector, posing the toughest problems for conservation policy.

Mr Michael Howard, the environment secretary, has proposed road pricing or higher vehicle taxes to bring the growth in check, but the verdict must await a special study being carried out by the department of transport, and due for completion next year.

The number of cars on the road – which account for 80 per cent of road vehicles – has risen from about 2.5m in 1951 to about 20m in 1990. The Department of Transport projects that the volumes of most kinds of traffic will nearly double over the next 30 years.

Although Mr Howard has also expressed interest in the EC's carbon tax proposal, his support for it has been guarded. The official UK position is that the proposal should be studied, but with an eye on the downside as well as the up.

But the government's record on energy efficiency has come under attack from environmental and trade lobby groups for its failure to address what they claim are major structural problems.

The Association for the Conservation of Energy, which represents the energy efficiency industry, points out that while economic growth fell in 1991, consumption of energy rose, meaning that the UK actually became less rather than more energy efficient last year. It blames "an overwhelming bias" towards supply rather than efficiency investments.

This includes the tax and regulatory system, and the absence of proper incentives for people and businesses to overcome the barriers to investing in energy saving.

The new Energy Saving Trust set up by the government will help British Gas and the regional electricity companies identify projects to help their domestic customers use energy more efficiently. It intends the costs of the investments to be passed through to electricity and gas consumers in their bills. However, environmental groups have argued that the Trust's impact on the UK's standards of energy efficiency is likely to be small.

The furore over the coal closures has shown that the UK's good fortune in being the most fuel-rich nation in Europe can also be a curse. Entire sectors of the economy and many jobs depend on demand for fuel, and this adds to the bias against conservation.

David Lascelles and Bronwen Maddox

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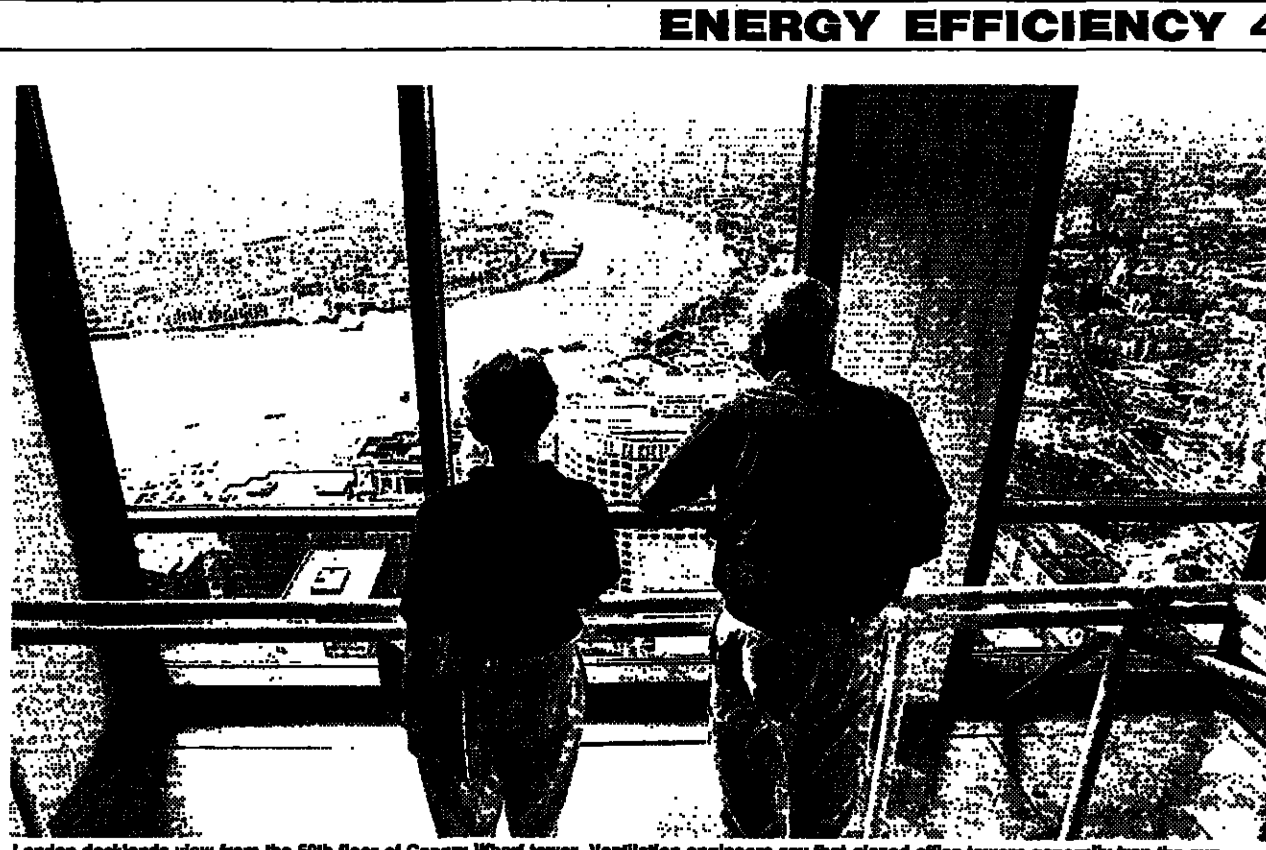
ENERGY EFFICIENCY 4

TECHNOLOGY for improving the energy efficiency of buildings has been around for decades. But the proudest claims for some of today's high-specification designs in Britain would make Scandinavians snigger, as they were achieving similar standards half a century ago.

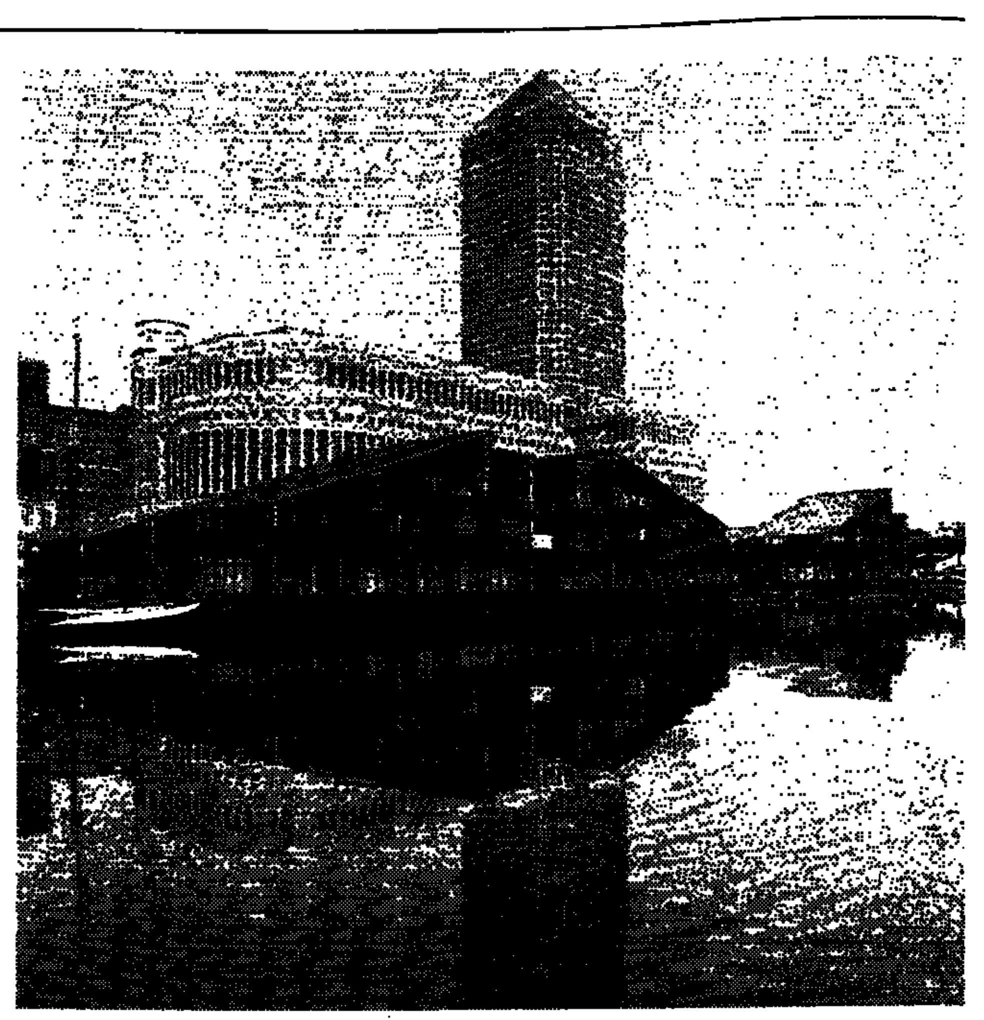
Closer to home, a couple of hundred Salford council houses built in 1975 would still put to shame the figures touted by modern designers who insist they have made some giant step forward.

These endless cycles of "discovery" spring from the fact that buildings offer such obvious scope for improvement. They absorb almost half the country's energy output and emit twice as much carbon dioxide as that which belches from vehicle exhausts. Domestic buildings alone use half our gas and a third of the electricity.

The problem is that energy efficiency has to be constantly re-invented. During booms, occupiers take anything they can get; in slumps few will pay extra for some nebulous long-term saving. Individual advances are forgotten then rediscovered.



London docklands view from the 50th floor of Canary Wharf tower. Ventilation engineers say that glazed office towers generally trap the sun, warming the air and drawing ventilation naturally through such buildings. (Pictures by Ashley Ashwood)



Part of London's Isle of Dogs with Canary Wharf Tower in the background

Building standards have risen dramatically, says **David Lawson**

An ever-present challenge

Overall standards have improved enormously, however, as building regulations are cranked up to higher specifications. The latest upgrade was designed to make minimum insulation levels 20 per cent more efficient and many developers automatically work to a much higher benchmark.

New housing may fall far behind standards in other countries but still scores seven out of 10 on the National Energy Foundation scale compared with a miserable national average of four.

Using timber frames stuffed with insulation well above minimum standards helped Laing Homes score an average of nine on one range of flats. Other factors such as siting and internal layout for maximum solar gain are also crucial.

A handful even manage a perfect 10. "In one flat this was achieved by switching to low-energy light bulbs while another was given a larger hot water cylinder and fan-assisted storage heater," says sales director Pauline Land.

Custom Homes scored 9.7 on a show property at the Ebbw Vale Garden Festival by using a heat recovery system, and putting six inches of Rockwool insulation in the walls and nine inches in the roof. Builders Butcher & Slater scored a similar 9.3 through similar efforts on a "green" home in Huddersfield.

Institutional landlords and office staff now expect air-conditioned environments

But these near-perfect scores are exceptions to the general run of new houses. High land values usually force compromise in siting and internal layouts, while the current fierce price competition has seen some volume builders quietly drop high-profile experiments in super-efficient designs.

"Buyers are still not that keen to pay extra for better performance," says Ms Land. Running costs as low as £5 a week can appeal to first-buyers although the up-front price tends to take priority. Housing associations have more incentive to produce efficient designs because they rent to low-income families, but even they are often hamstrung by cost limitations imposed from above.

Commercial developers face similar problems of making progress in a dead market. Air-conditioning became almost an industry standard for office blocks during the 1980s and both institutional landlords and tenants now expect such comforts. But they do not come cheaply.

"Annual energy costs can be as high as £23 a sq metre compared with around £4 for naturally ventilated buildings," says David Hitchcock of property consultants Richard Ellis.

Some experiments have set out to prove that reverting to older methods would not be regressive.

Two years ago Argent Group took advantage of the new BREEAM system of energy-rating created by the Building Research Establishment to back designs for a "green" office block in Basingstoke.

"We felt occupiers were already looking for buildings that were both cheap to run and environmentally friendly," says development manager David Partridge.

Glazed towers trap the sun, warming the air and drawing ventilation naturally through the building. Energy costs would have been 25 per cent of an air-conditioned block. But the slump intervened and the experiment remains unproven until some enlightened owner-occupier comes along – "the idea was right and could still be used somewhere else," says Mr Partridge.

Developers would welcome the chance to phase out air-conditioning, which adds as much as 30 per cent to building costs. But most are unsure that it can be ousted from city centres, where tenants expect to be sealed away from traffic fumes and noise.

It can be made more efficient, however. Almack House, a prime 100,000 sq ft building in the heart of St James's, scored highly on the BREEAM scale by adopting such techniques as computerised electrical and mechanical services and special glass which collects solar heat. "Good management can save up to £7 a sq metre in running costs," says Mr Hitchcock.

But economics raise their head again on such schemes. Almack has a "facility" for a heat recovery system but, with a pay-back as long as five or 10 years, it is beyond even an enlightened developer like the Dutch pension fund PGGM, to install. That will be up to some future occupier.

Advances are being made, though. Another of the developer's buildings has a basement full of table-tennis balls filled with salt water. These are cooled each night with cheap electricity, cutting the cost of air-chilling during the day. As a bonus, this reduces demand for roof-top plant, which diminishes noise and nuisance to neighbours.

Developers dislike air-conditioning since it adds up to 30 per cent to office building costs

Erik Batstra of the fund's development subsidiary, Belt Mountains BV, is keen to push forwards the boundaries of efficiency because he wants to attract international tenants. And his experience in Germany is that they will not put up with power-hungry services just because this is the local market norm.

In fact, just as homebuyers hold the key to better housing, so business occupiers are crucial to the shape of future commercial buildings. "If we could persuade owners and tenants to accept a temperature band expanded by a mere degree or so, it would go a long way towards more efficient, greener – and cheaper – buildings," says Mr Hitchcock.

Deborah Hargreaves meets the contract energy managers

A special breed of savers

FROM energy-saving light bulbs to the installation of their own power plants, companies across the UK are perceiving the benefits of efficient energy management.

Even moderate users of fuel can make significant cost savings by conserving energy and, in the current recession, all efforts at reducing costs are under review.

In an attempt to cut down spending on energy, many industrial users, as well as public and private institutions are contracting out the management of energy consumption and resources to specialist operations.

Mr John Ashcroft, managing director of AHS Emstar, the UK's largest contract energy manager, says the company has seen a steady climb in business in recent years, "which hasn't in any way been diluted by the recession".

Contract energy managers offer to make cost-savings for their customers which range from the largest companies to public libraries, leisure centres and hospitals, by taking over the responsibility for energy provision.

Energy saving is not just about turning off unnecessary lights: these specialist companies offer a variety of services ranging from fuel purchasing to funding the installation of a company's own power plant which the contract manager will then operate.

Mr Simon Lloyd, business development manager at BP Energy, an offshoot of British Petroleum, reckons a company can look to save 10 per cent or more in its energy costs by bringing in outside managers.

Contract energy management companies will provide tailor-made contracts for their customers which can be as complex or as simple as required. But, in many cases, a manager is developing a strategy for a company in the rapidly-changing UK energy market.

"The energy market has started to look more complicated following the government's privatisation initiatives and many of our customers are not geared up to searching for fuel at the best price," said Mr Ashcroft. The company will build up an approach to the energy market with its corporate customer stretching over a period of time. The contract manager will force down costs and keep them down, regularly reporting energy costs to the company's management – "there is a danger that in some companies energy management becomes flavour of the month and is then forgotten about, but you can't afford to turn your back on it as the energy market is rapidly changing and strategies need constant updating."

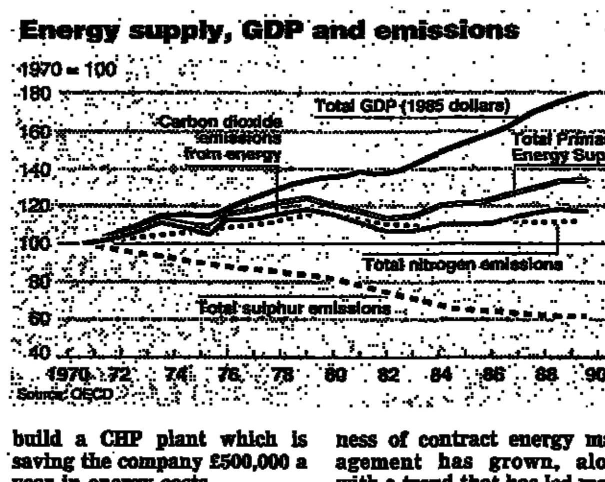
This is why typical contracts with energy managers extend over five to 10 years and often longer. BP Energy, for example, recently embarked on a 10-year contract with English China Clays to provide a combined heat and power station for the company's Par Harbour site – its largest facility which has an energy bill of £4m a year.

While helping to cut the company's overall energy costs, the new plant will also reduce English China Clays' exposure to electricity price volatility as well as cutting down its emissions of greenhouse gases.

Combined heat and power schemes (CHP) provide many environmental benefits for large energy users. AHS Emstar has provided Northumbrian Water with a plant for recycling energy which offers significant cost savings. The operation involves heating sewage sludge and collecting the bio-gas given off. This is then passed through a CHP plant where it is used to generate electricity to run the pumps at the sewage plant. The heat generated is used again to heat up the sludge.

The specialist contract energy management company will often provide access to funding for CHP plants and other installations which are then largely paid for in cost savings made for the company. AHS Emstar recently provided £10m for Tunnel Refineries to build a CHP plant which is saving the company £500,000 a year in energy costs.

Energy supply, GDP and emissions



The recession is forcing many companies to reduce energy bills, but contract energy management companies estimate that their services have touched very few of the UK's potential customers.

Mr Ashcroft reckons that eight per cent of the potential market is being supplied at a total value of roughly £200m a year. Mr Lloyd says that turnover at BP Energy has doubled in the past two years as awareness of contract energy management has grown, along with a trend that has led many companies to contract-out various corporate functions.

AHS Emstar was created a year ago by the merger of Associated Heat Services with Emstar, previously part of the Shell group. The company now offers a panoply of energy management services as well as bulk purchasing for fuel.

However, companies specialising in specific areas of the energy management business are also carving a niche in the market. Ex-Or, for example, is a company which designs and produces energy saving lighting control systems for industrial and commercial use. The company has recently set up a system for Marks and Spencer's largest warehouse at Hayes in Middlesex which ensures that lighting is turned off on the building's 249 storage racks when they are unattended. Since lighting can make up three-quarters of the electricity costs for such a facility, switching the lights off can make huge savings.

Contract energy management is a growth area in spite of the declining size of many UK companies. So far, intensive energy users such as paper processing plants and industrial processes which require a lot of fuel have proved the most eager customers. But the energy managers claim that most industrial and commercial operations have much to gain from taking their energy needs in hand. With only a tiny percentage of the potential market supplied, contract energy management could be one of the few growth areas in the current recession.

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Homes are often the biggest source of waste, writes **David Lascelles**

Overheated and under-insulated

THE private home is one of the world's great energy wasters. But experience shows that people who can afford to make their homes more efficient cannot be bothered to, while those who most need to save energy lack the means to do it.

In a report on energy efficiency and the environment published last year, the International Energy Agency pointed up another problem: people only tend to make major energy improvements when they build a new home or change houses. The report says: "Though the technical potential for energy efficiency improvements in heating and cooling end-uses might be substantial, savings are limited by the slow turnover of the building stock."

A large proportion of energy efficiency campaigns are aimed at breaking this vicious circle. The British government launched its latest one at the end of last month. "Helping the Earth begins at home" will run for three years with a budget of £10m to drive home the message from the Earth Summit about the dangers of energy waste and global warming.

Mr Michael Howard, the environment secretary, said: "By taking the right measures every home could save £100 a year and reduce its carbon dioxide contribution by one and a half tonnes, a cut of 20 per cent."

The campaign is aimed at encouraging people to insulate roofs, lag water tanks and turn off lights. House insulation is important because space heating accounts for 57 per cent of energy consumption. The department of the environment reports that between 1974 and 1989 the percentage of houses with loft insulation rose from 42 per cent to 89 per cent. It estimates that domestic energy efficiency measures have reduced the consumption of delivered energy by around 32 per cent between 1970 and 1990.

Savings are limited by the slow turnover of the building stock

But in spite of these signs of improvement, there is still a long way to go. The National Energy Foundation, based in Milton Keynes, Britain's energy efficiency "capital", has developed an energy efficiency rating scheme for private homes. Though still in its infancy and so far applied only to fewer than 1m of the UK's 21m homes, the results have been revealing.

The average British home rates only four on a scale where a score of 10 is ultra-efficient. Of the total stock, 11m are estimated to be below the national average. Although there has been substantial improvement in recent years, the IEA ranks the UK 10th out of the 11 top industrial countries in terms of the energy required to heat domestic dwellings (only Austria fares worse). The NEF estimates that if all homes were improved by only one rating point, the resulting energy savings would be £2.2bn a year, or 4.5 per cent of the national energy bill. The reduction in carbon dioxide emissions would be 24m tonnes, a cut of four per cent.

So why are these savings not being achieved?

Mr Richard Tinson, the NEF's director, blames an energy policy that is tilted too far towards the supply side. When the gas and electricity industries were privatised in the 1980s, the government did not want to do anything to hurt their markets. "There is a lack of political will," he says.

He would like to see a proportion of energy spending – say one per cent of the £20bn spent to heat, power and light building in the UK each year – redirected into efficiency work.

One aspect of the problem is a tax system which places VAT on building supplies but exempts domestic fuels, making it cheaper for people to burn more fuel than buy loft insulation. Against this, however, investment in insulation should provide a return in terms of energy savings which is tax free. Any tax on domestic fuel would hit low income households disproportionately hard, which is why the government is unlikely to introduce one without parallel benefits.

Another problem is a regulatory regime which has traditionally rewarded suppliers more on the basis of how much they sell than how much they conserve. While both Offer, the electricity regulator and Ofgas, its gas counterpart, are supposed to encourage energy efficiency, there are limits to their powers.

However, Ofgas took a step forward earlier this year when it introduced an "E factor" into the price formula regulating domestic gas. This will allow British Gas to pass on any costs which it incurs in the cause of improving energy efficiency, though these will have to be approved by Ofgas first.

On the other hand, Prof. Stephen Littlechild, the electricity regulator, concluded after recent consultations on energy efficiency not to create an E factor for electricity. Instead, he believes that promoting competition will encourage generators and distributors to go for the most efficient forms of energy. However, the consequence of this could be lower energy prices in the home, and therefore less incentive to save there.

Much of the effort of British Gas and many of the electric utilities will be channelled through a newly-formed Energy Saving Trust, an independent entity chaired by Lord Moore, a former Cabinet minister, to promote energy efficiency in the home. This pooled effort of the energy supply industry will seek out the best ways of achieving these goals. Pilot schemes will be set up to help low income households make better use of their energy, and stimulate investment in fuel efficient technology, such as better boilers.

However the reluctance of Prof. Littlechild to create an E factor could reduce the interest of the electricity companies in supporting the scheme since they will not be able to pass through the costs like British Gas.

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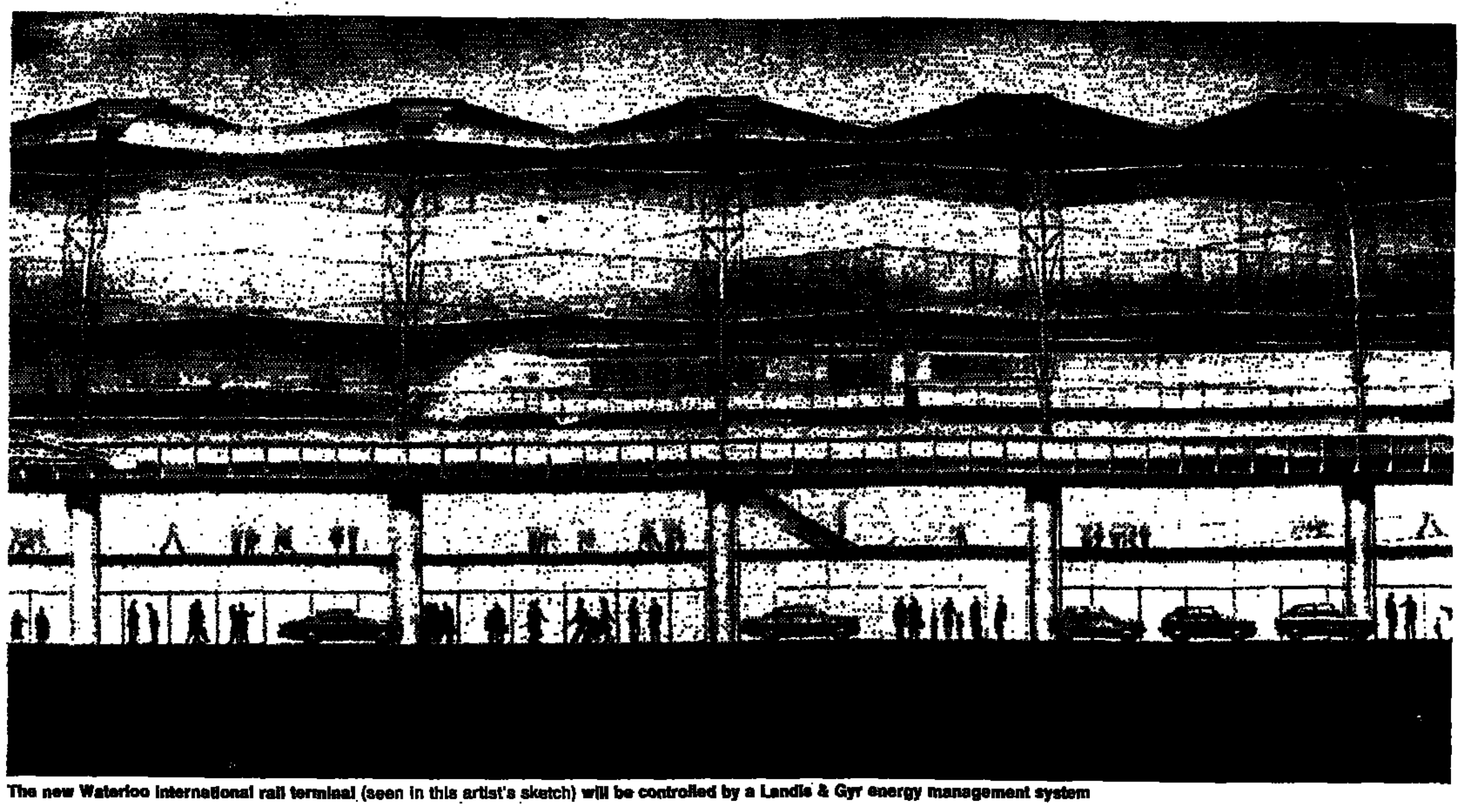

The new Waterloo international rail terminal (seen in this artist's sketch) will be controlled by a Landis & Gyr energy management system

Known techniques can bring big rewards, says **Andrew Warren**

It's all a matter of will

EVER since the UK's Energy Efficiency Office was set up just prior to the 1983 election, there has been a recurring theme concerning the potential savings that can be achieved by following the advice it proffers.

A succession of energy and environment ministers – and, for that matter, two Prime Ministers – have gone on record, stating that the use of cost-effective technology and techniques could cut existing bills "by at least 20 per cent".

During this period only the relevant savings figures have altered. In 1983, the UK spent £35bn per year on fuel; knocking 20 per cent off that figure would have saved £7bn each year. In 1992 ministers now put the total UK energy bill at £50bn – and the concomitant saving at £10bn.

Such savings each year from fuel bills could then be spent on other goods and services. The economy would benefit *from the increased cash flow*, jobs would be generated by the extra spending, and the capital *expenditure would be recouped* – but in how long?

In its evidence prepared for the Intergovernmental Panel on Climate Change (which itself did much of the groundwork for this summer's Earth Summit in Rio de Janeiro) the Government estimated in detail what could be achieved "if consumers were to take up *the easily attainable and eco*nomically attractive opportunities that are available". It later *published this work (through*

A thermostatic radiator valve: ***little things mean a lot***

the Stationery Office as *Energy Paper 58).*

The truth is that this 20 per cent savings figure is predicated on the use of well-established techniques rather than new technologies. These primarily are "good housekeeping" (e.g. mending broken windows, servicing vehicles, closing doors) and "monitoring and targeting" of performance (e.g. logging fuel bills). Beyond that are "retrofit investments with a payback period of *around two years*".

The technologies which have qualified for inclusion within the basic two year payback period have varied over the years, according to the price of fuels. But given the tightness of the requirement, they are currently relatively few: *draughtproofing, compact fluo*rescent lightbulbs, some insulation, some thermostatic controls, a few industrial motors.

However, the Government report does acknowledge that the potential savings are very different, if alternative qualifying criteria are used. If investments with a five year payback period were permissible; if the best available economic techniques were always deployed (the BATNEEC principle); if *energy efficiency was automat*ically the primary consideration – then the cumulative *saving potential* would be very different.

Most tellingly, the Government researchers urged that allowance should be made for further developments in the effectiveness of various energy-saving techniques, across the 15-year period under consideration.

Putting all these criteria together the cumulative savings potential on the current energy bill becomes not 20 *per cent, but 60 per cent of* current levels. There is little doubt that, of the new measures which tripled this figure, the one most likely to deliver is the development of new energy-saving technologies. Or, more likely, the streamlining of many existing technologies *to make them even more effec*tive.

In practice, it is the only one the market-place is likely to welcome without some external stimuli – such as tougher standards or offering taxbreaks

> ***British governments*** **have long claimed that known methods could cut energy spending by at least 20 per cent**

or grants to shorten five-year payback periods.

Even so, there are many examples of energy saving techniques and technologies which are not installed or used, despite their apparent economic sense.

That has been one of the main motivations behind the European Commission's THERMIE scheme. It is specifically intended to promote the rapid implementation of the best new energy technologies. As *such, it can play a critical role* in improving energy conservation and the use of renewable energies.

Between 1975 and 1992, the UK received support of £218m (Ecu312m) from THERMIE and its predecessor programmes. For both hydrocarbons and *solid fuel research, the UK* received easily its fair share of resources.

But Britain has not done so well for funds from energy saving, or for renewable energy; it obtained only 12 per cent and 10 per cent respectively of the budget, although its fair share is closer to 18 per cent.

For 1993, THERMIE is due to enter a new phase. Increasingly, it will concentrate upon technologies designed to *reduce environmental damag*ing emissions of carbon dioxide and sulphur dioxide.

Over recent months many other schemes designed by the EC to assist energy saving have been decimated.

The wide-ranging legislative programme intended to upgrade energy efficiency standards, under the SAVE banner, has effectively become voluntary – and is thus likely to prove far less effective in *reducing energy consumption*, and hence carbon emissions.

Legislation which has been approved, (like that on domestic gas boilers), will effectively deliver only one-third of the emissions savings originally identified. The ALTENER *scheme for renewables is far* less ambitious than originally projected.

Which makes the success of the THERMIE programme all the more important. A budget of £250m (Ecu350m) has been allocated by the EC to THER*MIE for 1993 and 1994 alone.*

> **There is an *enormous* potential market in the UK and Europe for equipment but spending has fallen sharply**

Bids for 1993 have to be sub*mitted by December* 1, 1992.

To alert British businesses of this opportunity to the potential, *the Department of Trade* and Industry has been mounting a series of briefing seminars around the country. The DTI official in charge, David Irving, says: "We would like to see even better results in the current THERMIE round. But that depends in the first instance on British industry coming up with good ideas."

There is undoubtedly an enormous potential market, not just in Britain but throughout Europe, for energy conservation equipment.

Mr Irving's boss, Michael *Heseltine, the President of the* Board of Trade, has identified a £230bn market across the EC *alone for technologies intended* to combat global warming.

It is a market for which the main economic powerhouses – Germany, Japan, America – have all set up specific programmes intended to gain a substantial slice of the action.

But Britain's market for energy efficiency equipment has recently been sliding backwards, not forwards. Investment levels are down 28 per cent in two years.

The potential, however, remains enormous. So great as even to dwarf the 20 per cent reduction target set way back in 1983, and which is still far from being achieved.

□ *Andrew Warren is director of the Association for the Conservation of Energy*

David Lascelles had a shock when his house was audited

Moment of truth in a North London semi

GETTING your own home rated for energy efficiency – or lack of it – can be a *moment of truth.*

I recently asked the National Home Energy Rating scheme to look at our North London semi-detached. It was not exactly designed with energy efficiency in mind. Built just before the first World War, it has large rooms and high ceilings which eat up heat. A wide bay at one corner of the *house is more window than* wall, and the attic is poorly insulated.

Even so, we have tried over the 15 years we have owned it to cut down heat waste. Eight years ago, we installed a new gas boiler, and we fitted individual thermostatic valves to all the radiators. We draught-proofed doors, double glazed most of the windows and blocked up unused fireplaces. We also converted most of the loft into a playroom, and sealed it off from the rest of the house with its own separate heating arrangements.

Even so, Vic Harrison, our assessor, broke the bad news. After feeding all the information into his portable *computer he told us that we* rated only 2.5 on the NHER scale of one to 10. What's more, we were contributing more than 20 tonnes a year to the carbon dioxide in the atmosphere. In short, the house was a bit of a disaster.

Two things pulled us down badly. One was the loft which Harrison said was letting out lots of heat, despite all the boarding and carpeting we had put in. The other was our *"new" boiler which turned out* to be hugely inefficient, spewing half its heat up the flue.

Harrison's computer was uncannily accurate in guessing what our gas and electricity bills amounted to: £1,500 a year, which made it difficult *to challenge its rating.*

So what could we do about it? The computer's main *recommendation was to install* a new boiler of the gas condensing type. Although this would cost £1,700, it would save us £196 a year, giving us a payback of just under nine years.

Predictably, the computer also advised us to insulate the loft properly at a cost of £850. This would save us £275 a year, a payback *of just over three* years.

With various other bits and *pieces, including thicker* insulation on the hot water tank, the computer's total recommendations added up to £3,010. This would produce savings of £516 a year, paying for itself in just under six years. In so doing we would raise our rating to 4.9, which is just above the national average, and cut our carbon dioxide emissions to only 12 tonnes a year.

The big question now is: will we do it? Three thousand pounds seems an awful lot of money to spend, particularly at a time when domestic gas prices are set to go down, not up.

And how can we be sure that the promised savings will materialise? Will we even stay in the house long enough to earn the payback. And if we don't will the house command a higher price in the market because of the extra work we carry out?

Our initial reaction is to sit tight: there are too many uncertainties. Besides, with a bit of effort – draught-proofing some *windows, turning down the* radiator valves a notch – we can probably achieve savings without spending any money at all. I'm sure the experience will also have a subliminal effect: we'll be more energy-conscious without even realising it.

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ENERGY EFFICIENCY 6

AS THE arguments rage about the future of the UK coal industry, the privatised electricity generators and the new independent producers continue investing heavily in combined cycle gas turbine (CCGT) power stations.

Whatever the merits of this strategy for UK energy policy, and however much critics complain that the UK is building far too much generating capacity for its needs, it is clear that CCGT using natural gas has established itself virtually worldwide as the most energy-efficient method of thermal power generation in bulk.

Energy efficiency has become one of the major reasons for the success of CCGT, although not the only one. Compared with traditional large coal-fired plants, shorter construction times, reduced emissions and lower capital costs – because the plants are usually slightly smaller – are also important reasons for their success.

For the uninitiated, combined-cycle plants take the exhaust gases from a gas turbines through a waste heat recovery boiler to generate steam, which in turn powers a steam turbine. This means that thermal efficiency – the amount of energy from the fuel that can be converted into electricity – can be as high as 55 per cent for CCGT, depending on the design of the plant and its use.

That compares with 40 per cent for the best coal-fired generation, and about 35 and 43 per cent for simple-cycle gas turbine and steam turbine power plants respectively.

As for nuclear power, high thermal efficiencies are less of a priority than controlling capital costs, and the relatively low temperature of steam produced by pressurised water reactors (PWRs) and boiling water reactors (BWRs) limits the thermal efficiency to little more than 30 per cent, according to Steve Thomas and Francis McGowan of Sussex University's Science Policy Research Unit*.

Combined cycle gas and steam power plants are now in worldwide use

Raising energy efficiency is partly a financial priority – it clearly makes sense for electricity generators to get the most from their fuel resources. Mr Mike Sharpe, director of power generation at Siemens UK, says that every one percentage point of thermal efficiency gained is worth about £3m a year in additional revenue for the operator of a typical 1,000MW combined cycle plant.

Clearly, however, the environmental aspect of efficient fuel use is important. Not only is the CCGT process inherently less pollutive, it is also a more efficient use of fossil fuels which have taken millions of years to create and can only be used once.

In January, Siemens claimed a new world record for commercial thermal power plant efficiency with a rating of 52.5 per cent at the 1,350MW Ambarli project near Istanbul. The result was obtained in acceptance trials on the first of three 450MW "gas and steam blocks," and the peak load figure was higher still at 53.2 per cent.

With the new General Electric Frame 9F gas turbines and the latest series from Siemens, thermal efficiency of around 55 per cent is now possible, and the financial savings for their customers make it worthwhile for the equipment producers to continue raising the threshold.

The consensus in the industry is that thermal efficiency can be further improved. "I think there is the capability for efficiency to approach 60 per cent as the years go by," says Mr Sharpe. GEC Alsthom's European Gas Turbines unit (EGT), meanwhile, believes it could take a decade a more for the target to be achieved.

Improving the efficiency of CCGT could be particularly important in the UK if the forecasts of generating overcapacity prove correct. Depending on the design, some CCGT plants suffer quite sharp losses of efficiency if they are not operated at peak loads.

Even reaching 60 per cent, however, will depend on success for a number of separate technology developments. In the power generation process itself, achieving higher firing temperatures in the gas turbine will be crucial – the hotter the gas turbine, the greater will be the exhaust temperature.

General Electric's 9F turbines are the hottest in the world at 1,260 degC, giving an exhaust temperature of 583 degC. Raising gas turbine temperatures to 1,500 degC over the next few years will require further steady advances in blade design and materials, and in cooling systems.

But there are challenges. If the process design requires a gas supply at high pressure, a considerable amount of energy will be taken up powering a compressor, says Mr Sharpe.

Environmental concerns also play a part in the efficiency equation. For example, the best source of coolant for a turbine is usually water from a nearby river, which can be returned after use. When this is not possible, cooling towers can be used, but are often considered unacceptable for environmental reasons.

A solution is a dry condensing system which does not need water but can reduce overall efficiency by half a percentage point. In very cold temperatures, however, the system can be more efficient than a cooling tower, according to Mr Sharpe.

Another important contribution to greater efficiency will come from increasingly sophisticated computer models controlling the operation of CCGT plants. Their aim is to optimise the power station's performance by striking the right balance between the use of the gas turbine and the steam turbine as power demand ebbs and flows.

CHP boasts the highest efficiency, but only if it can also sell its heat

Although CCGT has won converts from power producers worldwide, proponents of small-scale power plants never tire of reminding the power industry that even CCGT wastes virtually half of its fuel's energy. In contrast, combined heat and power (CHP), which turns the waste heat into steam or hot water for use by industry or in the home, regularly achieves efficiencies of 75-80 per cent, and 90 per cent has been recorded in some cases.

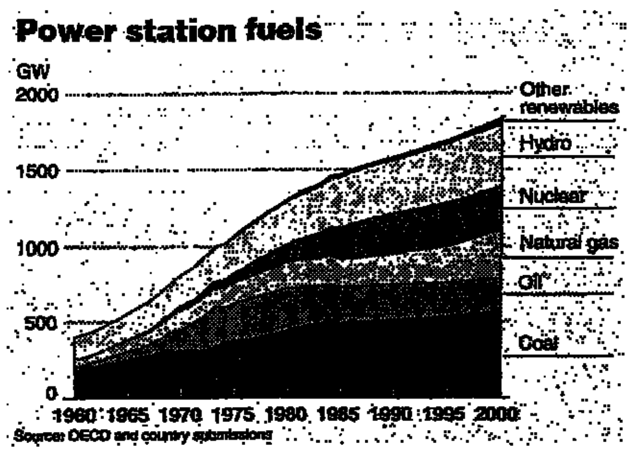
Although there would be no theoretical problems with a large-scale CHP plant, the challenge frequently would be to make use of the large quantities of heat produced by a plant similar in size to the CCGT stations now in vogue.

On a smaller-scale, CHP may be much more efficient but normally requires infrastructural spending on distribution if used for, say, district heating. But there are hundreds of successful examples of such applications, especially in Scandinavia, and some have been around a relatively long time, such as a 20-year-scheme in Nottingham which harnesses a refuse incineration plant and a coal-fired power station to provide sufficient power for 2,000 dwellings.

**The World Market for Heavy Equipment. Nuclear Engineering International Special Publications, 1990.*

Andrew Baxter explains why gas fired turbines are hurting coal

Cleaner, sweeter, hotter



There's nothing quixotic about renewables, says **Clive Cookson**

As free as the wind

THE range of renewable energy sources potentially available to replace fossil fuels and nuclear power is bewilderingly large.

Wind, hydro, tidal, wave, geothermal, solar, biomass and industrial and municipal wastes all have passionate advocates – and one problem for governments supporting research and development into alternative energy is knowing how to allocate funds between different technologies.

A study carried out last year for the UK government by the Energy Technology Support Unit (ETSU) at Harwell concluded that it would be technically feasible to generate 25,000 MW – about half of the country's current electricity requirement – from renewable sources by 2010. That would require today's meagre renewable generating capacity to be increased 100-fold over the next two decades.

In practice it will not be possible to build up alternative energy sources as rapidly as that. The UK government's target for renewables is a modest 2 per cent of generating capacity by 2000; Greenpeace, the environmental pressure group, says 10 per cent is a realistic target for then.

The main sources are:

● WIND power, generally thought to have the best prospects in the UK, the most consistently windy country in Europe. According to the ETSU report, its technical potential is huge – 17,000 MW onshore and 12,000 MW offshore by 2010. The Greenpeace scenario would mean building 6,000 to 9,000 wind turbines onshore and 500 to 1,500 offshore by the turn of the century. The turbines vary in diameter from 25 metres up to 100 metre monsters.

California has 15,000 wind turbines along its mountain ridges

California is leading the worldwide development of windpower; the state already has 15,000 turbines, grouped in large "wind farms" along mountain ridges, with a total generating capacity of 1,500 MW. In Europe, Denmark is ahead, with 320 MW of wind power installed.

Wind power may be clean but it is visually obtrusive. Planning applications to build wind farms in the UK are already being opposed by people who see them as potential blots on beautiful landscapes. Indeed planning problems may eventually scupper many of the 58 wind projects proposed in the UK. Offshore turbines would not meet such objections but they are more expensive than onshore wind farms.

● WAVE power was regarded in the 1970s as the most promising alternative energy source – some enthusiasts went so far as to predict then that wave energy would provide half of UK electricity demand in the next century. The government's wave power R&D programme investigated 300 devices. But the wide range of wave heights encountered off the British coastline made the engineering and anchoring of wave devices more difficult and expensive than expected, and the programme was scaled down during the 1980s.

Now the UK R&D programme focuses on small shore-based devices. A prototype 75 kilowatt (KW) device is being tested on the Scottish island of Islay. But ETSU put the total potential capacity of wave power no higher than 130 megawatts (MW).

● TIDAL power seems a more promising technology for harnessing the energy of the oceans. Indeed a 240MW tidal barrage has been operating successfully on the Rance estuary in France since 1967.

In the UK, the much-discussed Severn Barrage could generate up to 8,000MW of electricity, as much as six large nuclear reactors and enough to satisfy 6 per cent of the country's power demand. The trouble is that it would cost an estimated £9bn to build – more than the public or private sector could be expected to put up under current circumstances. A smaller project which has also been proposed is the 700MW Mersey Barrage, though this would inevitably cause extensive environmental changes in the wetlands around the Mersey estuary.

● GEOTHERMAL energy – making use of heat within the earth – is another power source which looked more promising in the 1970s than it does today in the UK. But prospects are much brighter elsewhere in the world.

Geothermal plants in Europe are predicted to reach a total capacity of 1,500MW of power and 7,000MW of heat generation by 2000, but experts say the future of geothermal energy lies in the Mediterranean basin rather than northern Europe.

● HYDRO-electricity cannot expand on a large scale in the UK without causing unacceptable environmental damage. Even so, there is scope for adding unobtrusive small-scale hydro generating equipment on some rivers. ETSU said this could add up to a significant 500MW of capacity by 2010.

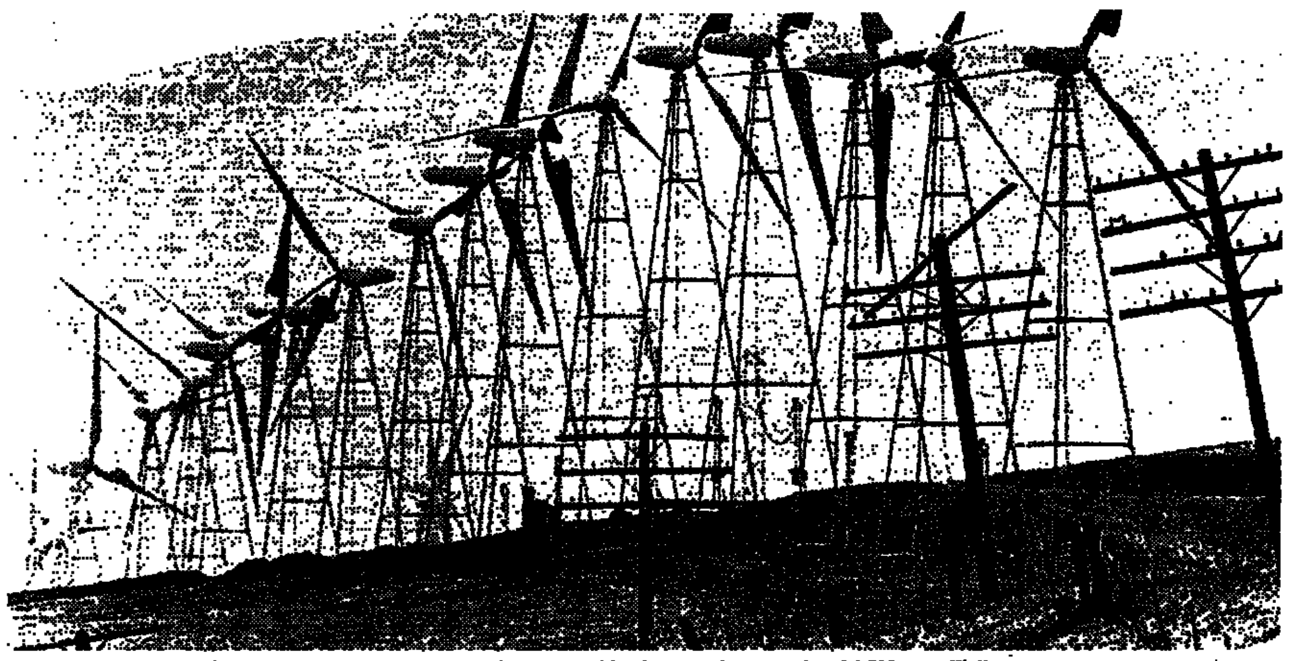
● SOLAR energy has considerable potential even in the cool cloudy British climate. The traditional means of exploiting the sun's energy is to use it to heat up water or air. But recently scientists have been making rapid progress in improving the efficiency of photovoltaic cells which convert solar radiation directly into electricity.

The ETSU report put the potential capacity of photovoltaic electricity in the UK at 7,000MW but concluded it would be too expensive for widespread application. However, the latest research into photovoltaic cells suggests that they could compete with other renewable energies.

● BIOMASS energy, derived from growing plants and trees for fuel, is attracting increasing funds for research and development throughout the world. By 2010 the UK could be generating 3,000MW of electricity by burning trees and straw, according to ETSU. Greenpeace believes 370MW is realistic by 2,000 – equivalent to 300,000 tonnes per year of trees and straw.

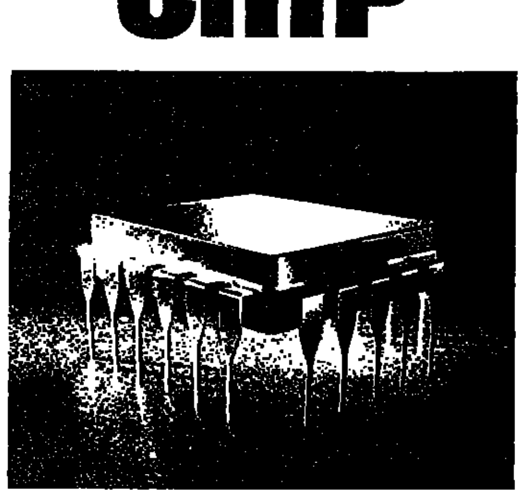
The most promising biomass technique for the UK may be to grow willow or poplar in a system known as arable coppice, in which cuttings are planted at very high densities (10,000 trees per hectare) and harvested by machine every three to five years. If all land used for over-producing food were used for energy crops, the equivalent of 10m tonnes of coal could be produced.

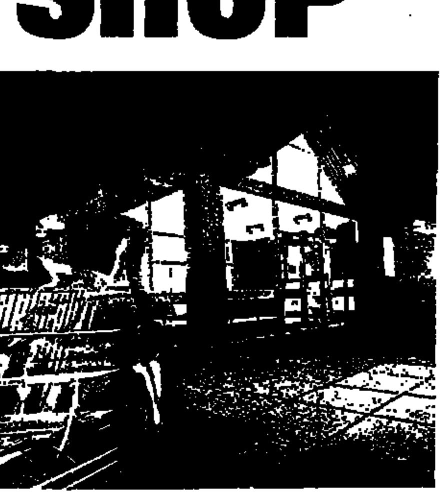
In summary, it seems today that the renewable energy sources with the greatest potential under UK conditions are first of all wind power, followed by solar, tidal and biomass. But all of them will need to be nurtured for several years through some form of subsidy if they are to come at all close to achieving their full potential.



California's wind 'farms', like that on the Altamont Pass, have a combined generating capacity of 1,500 megaWatts

CHIP SHOP





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SUPPLYING THE DEMANDING

SOUTHERN ELECTRIC

Coal still has some tricks up its sleeve, says **Clive Cookson**

Answer to a miner's prayer

GOVERNMENTS, power engineering manufacturers and coal companies are spending more than $1bn a year between them on a worldwide research and development effort, intended to transform dirty coal into a fuel that can match the cleanness and efficiency of natural gas.

One demonstration of what can be achieved is AES Shady Point, a 320MW cogeneration plant in Oklahoma, which has low emissions not only of sulphur and nitrogen oxides but even of carbon dioxide. Two hundred tonnes a day of CO_2 are extracted chemically from the flue gases (using a solution of monoethanolamine) and, after purification, sold for carbonating soft drinks.

The new coal-burning technologies – fluidised bed combustion (FBC) and integrated gasification combined cycle (IGCC) – can bring sulphur and nitrogen pollution levels down almost to the levels achieved with natural gas.

But their net efficiency (40 to 43 per cent) is still well below the 52 per cent of the best natural gas combined cycle (NGCC) plants. And even if their efficiency matched natural gas, they would still contribute more to the greenhouse effect. When burned, coal inevitably produces more CO_2 than gas, which contains far more hydrogen combined with the carbon.

The idea of large-scale removal of CO_2 from power station flue gases was generally regarded until a couple of years ago as too fantastic to contemplate – and some experts believe it is still a fantasy. Although it is possible to extract CO_2, as AES Shady Point demonstrates, the costs of the process and the billions of tonnes per year of CO_2 added to the atmosphere through fossil fuel burning seem prohibitive.

Recent studies under the International Energy Agency's Greenhouse Gas R&D Programme suggest, however, that CO_2 capture and long-term disposal may after all be technically feasible, environmentally acceptable and economically bearable.

Industrial users (in chemicals, oil recovery and food and drink manufacturing) could consume only very small amounts of recovered CO_2. Somewhat larger quantities could be pumped into old mines or oil and gas fields, but in the long term the only option for disposal is pumping liquid CO_2 into the ocean depths.

Preliminary estimates suggest that CO_2 scrubbing and disposal in a North Sea gas field would add about 40 per cent to the cost of electricity generated by a IGCC plant – a huge burden but not totally prohibitive if the greenhouse effect turns out to be a more serious global threat than most scientists believe today.

For the next decade, however, the priority will be to make the coal combustion process itself as clean and efficient as possible.

There is "a ferment of innovation" in coal burning, says Walter Patterson, energy analyst and author of a recent FT Management Report on coal technology.* "The world's engineering companies and their enlightened clients are spending very large sums indeed, in a hectic race to expand the range of advanced coal use technologies, improve their efficiency and enhance their environmental performance," he says. "What is more, they are succeeding."

Thirty-eight clean coal plants are operating in the US, where coal's share of the electricity generating market is increasing and the federal government and industry are jointly funding a $5bn clean coal programme over five years.

In the US, 38 clean coal plants are running, and scores are planned in Europe and Asia

In Europe and Asia too, scores of advanced coal burning plants are being planned and built. But in the UK, where much of the original research into clean coal technology was carried out, the level of activity is now very low compared with other countries with substantial coal industries.

British Coal's clean coal test facility at Grimethorpe in Yorkshire closed down earlier this year, though work is continuing at the Coal Research Establishment at Stoke Orchard, Gloucestershire. But CRE's future after the planned cuts and privatisation of British Coal is also uncertain.

All the main generating equipment manufacturers are involved to a greater or lesser extent in developing FBC and IGCC systems.

Most of the clean coal power stations developed so far use fluidised bed combustion (FBC). This involves burning powdered coal in a bed of pulverised limestone, which acts as a chemical trap for any sulphur emitted from the fuel. An upward flow of air keeps the bed in constant motion like a boiling kettle. One turbine is driven by steam produced in boiler tubes in the fluidised bed and a second by the hot exhaust gases.

The main variants are circulating fluidised bed combustion (CFBC), in which the air flows so fast that the bed loses its top surface and fills the combustion chamber with a swirling cloud of fine particles, and pressurised fluidised bed combustion (PFBC), in which the whole chamber operates at between five to 20 atmospheres pressure.

Integrated gasification combined cycle (IGCC) plants have a gasifier in which coal reacts with steam and oxygen to produce a raw fuel gas containing carbon monoxide, hydrogen and methane. This gas is cleaned chemically to remove pollutants before firing in a gas turbine to generate electricity. The hot exhaust then produces steam to power another turbine.

FBC plants are particularly well suited for burning coal of low or variable quality and for cogeneration (producing both electricity and heat). IGCC plants offer better performance when good quality coal is available, though the technology is less well developed than FBC. The next important development will be the opening, scheduled for 1993, of a 285MW IGCC demonstration plant designed by Shell at Buggenum in the Netherlands.

Further improvements may be possible through combining the best features of IGCC and FBC. One hybrid is British Coal's proposed topping cycle technology.

British Coal has formed a consortium with PowerGen, the electricity generator, and GEC Alsthom, the Anglo-French generating equipment manufacturer, to develop the topping cycle. Chris Buck of GEC Alsthom says the group is "enthusiastic" about building an experimental 75MW plant to demonstrate the technology, which would have export potential. But it cannot go ahead until uncertainties about support for the project and the future of British Coal are resolved.

Dawes accepts that no clean coal plant built in the UK today can generate electricity as cheaply as a new natural gas plant, because the latter is technically so much simpler that its capital costs and non-fuel operating expenses are inevitably lower. Early in the next century, however, lower fuel costs for coal could tip the balance against gas.

Advocates of coal gasification point out that the technology offers utilities a flexible approach to building new power stations. They can start by installing a turbine generator burning natural gas, then add a coal gasifier when the price of natural gas rises high enough to switch to coal and finally fit a steam turbine – completing the integrated combined cycle – when extra capacity is required.

**Coal-Use Technology In a Changing Environment*, Financial Times Management Reports, £215.

Car population growth is outstripping gains in fuel economy and cleanliness, says **John Griffiths**

Lighter vehicles may be the key

THE world motor industry is driving hard for greater energy efficiency and lower environmental impact, but it is still going backwards.

The relentless desire of the world's population to acquire or retain personal mobility – still only just starting to be assuaged among many populous Third World countries – means that vehicle population growth continues to outpace gains in fuel efficiency.

On the environmental front the notable victory which, since the early 1970s, the catalytic converter has scored against some exhaust pollutants – notably acid rain-causing oxides of nitrogen – is now viewed as, if not pyrrhic, then far from total.

The "cat" may eliminate 90 per cent of nitrogen oxides, carbon monoxide and hydrocarbons.

But it can do little about carbon dioxide, an inescapable product of combustion and which has leaped up the list of perceived culprits in relation *to global warming.*

Indicative of the problem is that for every gallon of oil consumed by a car in the form of fuel, about 19 pounds of carbon dioxide are released into the atmosphere.

The measure of both the energy consumption and environmental problem becomes even clearer when it is realised that in 1953 there were 53m cars on the world's roads. Now there are 430m and the car population is being added to at a rate of about 9.5m a year.

The world's truck and bus fleet is growing at a rate of about 3.6m units a year and currently stands at around 140m. Add around 100m motorcycles, the population of which is growing at around 4m a year, *and it is likely that by as* early as 2010 the total vehicle population will be approaching 1.1bn. Engine design has been *improving consistently*, with precisely-metered fuel injection systems, multi-valve cylinder heads, and variable ignition and camshaft systems all contributing to improved fuel consumption per cubic centimetre of engine capacity.

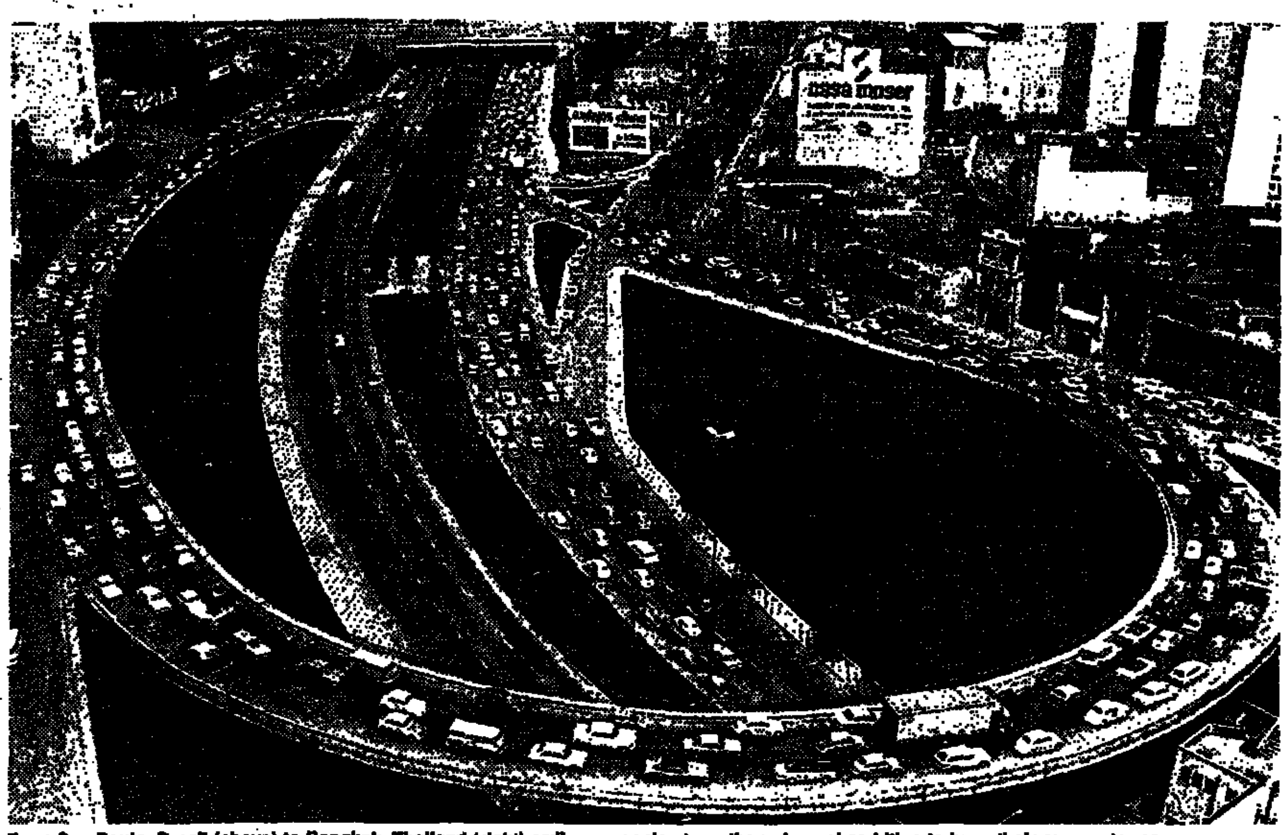
However, that is to consider the engine in isolation. Data from organisations such as the US Environmental Protection Agency and Japan's Ministry *of Transport indicate that in* the past few years fuel efficiency in terms of overall miles per gallon has started to go backwards.

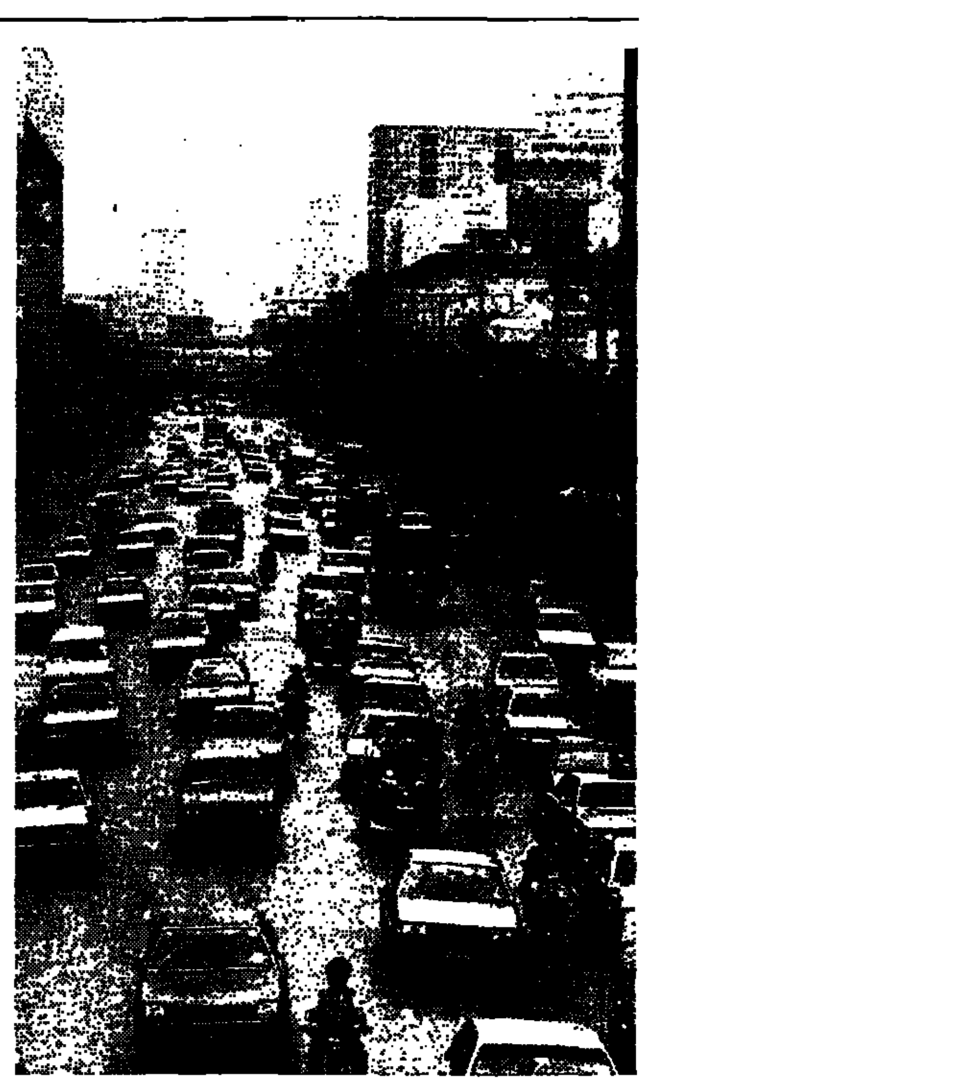
This is a consequence of consumers, their memories of oil crises fading throughout the 1980s, demanding faster, more powerful cars fitted with many more convenience systems such as central locking and electric sunroofs. Cars have thus become heavier, and require comparatively more fuel to propel them.

From next year, as increased concern about the environment *and fuel efficiency starts to* work its way through the industry's vehicle design processes, car and light truck mileage per gallon should start to increase again. However, this can do no more than slow the rate of growth in demand for vehicle fuels.

Greater energy efficiency in the transport sector in the broader sense requires government policy actions on a wider front, stresses US motor industry and energy consultant Michael Walsh.

The propensity of the developing world to follow industrial nations down the road to private motorisation can be affected significantly by public policy towards land use, housing and all forms of transport *infrastructure*, *Mr Walsh* pointed out to a recent Institute of Mechanical Engineering conference in London.





From Sao Paulo, Brazil (above) to Bangkok, Thailand (right) ordinary people share the universal ambition to have their own motor car

At the heart of such policies ought to lie housing planning to minimise the incentive to use private motorised transport, between home and workplace for example.

But the prognosis for the *sprawling "mega-cities" which* have sprung up haphazardly around some developing world capitals is hardly good. With little strategically-planned housing, commercial or transport infrastructure to cater to such populations, traffic congestion and high energy wast*age appear likely to eclipse* that of developed world cities as income rises sufficiently to make vehicles affordable to the majority.

The developed world, at least, is now committing, albeit belatedly, substantial resources to addressing the problems.

At the vehicle technology *level, added impetus has been* given to research and development by the recognition that, in increasing fuel efficiency through reducing consumption, there are knock-on environmental benefits through a pro rata reduction in carbon dioxide emissions.

Complementary to this is the encouragement being given in many countries to greater use of public transport and of more intensive use of individual cars.

In North America, for example, residents of cities from Seattle to Washington are now well acclimatised to urban freeway lanes usable only by cars *with more than one occupant.*

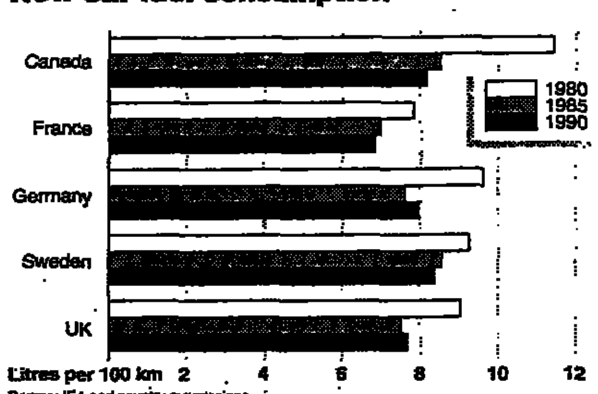
In Europe, through collaborative EC research projects such as the Prometheus programme involving all indigenous European vehicle manufacturers, the technology is being advanced which, by the end of the decade, should pro*vide European car and truck* drivers with route guidance and congestion avoidance advice systems expected significantly to lower fuel consumption through avoiding wasted mileage and fuel-wasteful "stop-start" motoring.

Cities like Munich, meanwhile, are experimenting with traffic advisory systems aimed at eliminating much of the fuel wastage associated with drivers simply cruising around seeking somewhere to park.

During one peak hour monitoring exercise in a corner of the city, some 70 per cent of cars on the move were found to be looking for somewhere to park.

The intention is to have permanent monitoring of all park*ing spaces available in the city* centre, with drivers being able to ascertain whether space is available before setting out on a journey (and, city authorities hope, opting to take public transport instead).

New car fuel consumption



Source: IEA and country submissions

Synchronising traffic lights and reducing other obstacles to free traffic flow are also seen as contributors to increased energy efficiency of road transport.

While the primary objective of the "red routes" – severely restricting roadside parking – being introduced in London is to speed commuting traffic flows, they, too, are playing a role in reducing fuel consump*tion by reducing "stop-start"* and thus allowing engines to operate more efficiently.

Complementary to this approach is the planned reintroduction by Volkswagen of "eco" cars – in which the engine cuts out completely whenever the car is motionless in traffic and restarted automatically when a gear is engaged and the accelerator pressed.

It is an approach first tried by VW in the mid-1980s but which foundered because of consumer reluctance to trust the engine to keep restarting. Greater trust in car technology, however, is leading VW to try *again.*

The pursuit of greater energy efficiency through weight-saving in vehicles is now firmly back on the agenda. Within the next three years Audi will launch its first car incorporating an aluminium body – much lighter than steel.

Other manufacturers are expected to follow the same route, to the extent that aluminium is now expected to outpace composite plastics as the "growth" material of the 1990s. It will go some way to offset the additional weight of cars dictated by more complex onboard systems and ever more rigorous safety standards.

In terms of whole-life energy efficiency, the old argument against aluminium – that it involves a far greater energy input to make than steel – is being increasingly offset by its ability to be repeatedly recycled at low cost.

Downsizing of cars is also seen as a promising route to greater fuel efficiency, with industry forecasts suggesting average per-vehicle fuel consumption improvements of up to 35 per cent can be achieved by the year 2005 through a combination of smaller cars, new materials and engine technology improvement, including a more widespread switch to *economical diesels.*

Fuel costs keep heavy industry on its toes, says **Andrew Baxter**

Factories plug their leaks

ENORMOUS gains in energy efficiency have been achieved over the past 20 years by the world's manufacturing industries, which account for about 40 per cent of the world's energy use. But recession and energy policy uncertainties have demoted efficiency measures in the list of industry's priorities.

The major energy-intensive industries – pulp and paper, chemicals, glass-making, iron and steel and non-ferrous metals – still recognise the need for further improvements on top of the gains already made. Even so, some large energy efficiency projects have been postponed to conserve cash.

In industries where energy is a much lower proportion of production costs, the current record is rather patchier. Improvements, typically, are coming indirectly from manufacturing initiatives such as *reorganisation and newer* equipment which have been introduced for other reasons.

A book by energy experts Lee Schipper and Stephen Meyers, to be published in the UK on Thursday*, chronicles the sharp reductions in energy intensity – energy use divided by *production* – made by manufacturing industries in eight key OECD countries between 1971 and 1988.

The largest reduction, 37 per cent, was in chemicals, followed by the stone, clay and glass sector with a decline of 32 per cent, ferrous metals and paper and pulp with 27 per cent each, and non-ferrous metals with 26 per cent. Non-energy intensive industries also notched up a 37 per cent reduction, reflecting the trend towards higher value per unit of physical output as light manufacturing shifted towards "high-tech" products.

While structural change within the main energy-intensive sectors inevitably played a part in this achievement, the *authors believe that most of* the decline was due to the reduction in the energy intensity of producing particular products.

Three main factors contributed to this, they say: improvements in operations and maintenance, and retrofits with low-cost equipment; changes in process equipment or "add-on" energy technologies requiring significant *investment; and introduction* of new production processes, often involving construction of a new facility.

In the UK, combinations of these options have been widely introduced by the main energy-intensive sectors, which are well aware of the sensitivity of energy efficiency in the broader environmental context. Investments can range from building an entire com*bined heat and power (CHP)* plant to purchasing the latest

A European paper and pulp mill: further gains are needed

"widget" to control energy use in a particular production process.

Over the past two years, total UK investment in energy efficiency has fallen by 28 per cent, according to the Association for the Conservation of Energy. Industry, it says, has probably been affected as badly as the residential sector, although manufacturers with high energy *costs are continu*ing to spend.

The overall reduction in investment masks some big variations. Spending on CHP projects has been less affected by the recession than other energy-efficiency investments, such as control equipment or *cavity* wall insulation.

There are about 140 CHP projects in the industrial and commercial sector – the most recent was a 7.5MW plant developed by BP Energy for English China Clays near St. Austell, Cornwall, and opened last month.

Mr David Green, *director of* the Combined Heat & Power Association, attributes the relative buoyancy of CHP to the *higher priority given to energy* efficiency because of the general "greening of industry", and the fact that companies with more than 1 megawatt of annual demand can now shop around for their power needs. CHP consequently becomes an issue worth looking at.

CHP can cut companies' power bills by 30 per cent, and most companies can make savings of 20 per cent, he says. *It is because CHP can achieve* this, and reduce the UK's carbon dioxide emissions, that the Government has set a target of at least doubling the *current 2,000MW of CHP* capacity by the end of the century.

If companies are holding back from investing in CHP, says Mr Green, it is not because of the cost but because of the general uncertainty over UK energy policy, and *remaining* regulatory barriers to CHP which the association is working to have lifted. These include obstacles to the export of excess power generated at one site to an adjacent company.

In the UK, ICI is a classic example of a company – and an industry – where controlling energy costs, and understanding the close link between energy efficiency and emissions, is crucial for business success. Over the past 20 years, ICI's worldwide production has more than doubled while energy use has been reduced by 10 per cent and carbon dioxide emissions cut by 20 per cent.

Further reductions in energy use will come with the completion of the Enron power station at Wilton on Teesside, which will provide ICI's Wilton site with a significant proportion of its steam and power, and replace several older facilities.

As for improving process efficiency, *design and* technology changes have reduced the energy consumption per tonne of *ammonia* produced by two-thirds in ICI's modern plants, compared with the old coke-based process.

In the steel industry, constant improvements in energy efficiency are being made at individual plants. An example unveiled last month at British Steel's bloom and billet mill in Scunthorpe involves a bank of frequency inverters produced by *the* Powys-based Control Techniques.

The 25 inverters enable the speed of the combustion air fans on the mill's soaking pits to be varied between 360rpm and 2,400rpm – they previously ran at a constant *3,000rpm. The energy saved* this year will be enough to keep the whole mill running for a week.

Another major energy user, the glass industry, has focused its efforts on the manufacturing processes to reduce energy consumption, along with glass recycling. Fuel for melting can be 20 to 25 per cent of manufacturing costs, and improvements in refractory technology and in regenerators *have made a big* difference both to product quality and energy efficiency. Furnace insulation has also been shown to reduce heat loss by 50 per cent.

And some relatively low users of energy have also made impressive gains in *energy efficiency. The UK* brewing industry consumes more than £50m of energy a year – only about 3 per cent of production costs. But, according to Dr David Long of the Brewers Society, the average energy consumption to produce a litre of beer has fallen from 3.03 megajoules in 1976 to 1.97 in 1990.

Some allowance, he says must be made for brewery amalgamations and closures, but *that is offset* by increased automation and the continuing swing to lager which have added to the electricity load.

For the future, the major energy users will continue whittling away at their costs – and are being encouraged to do so by government agencies and industry organisations. One of ICI's key environmental objectives established last year was to implement an even more rigorous energy and resource conservation programme, from which substantial benefits are expected by 1995.

There is also growing recognition that smaller companies need more help finding out about energy efficiency measures, and a need to end what ACE sees as a general reluctance to look at *"low-tech" solutions such as* insulation.

* Energy Efficiency and Human Activity: Past Trends, Future Prospects. Cambridge University Press.

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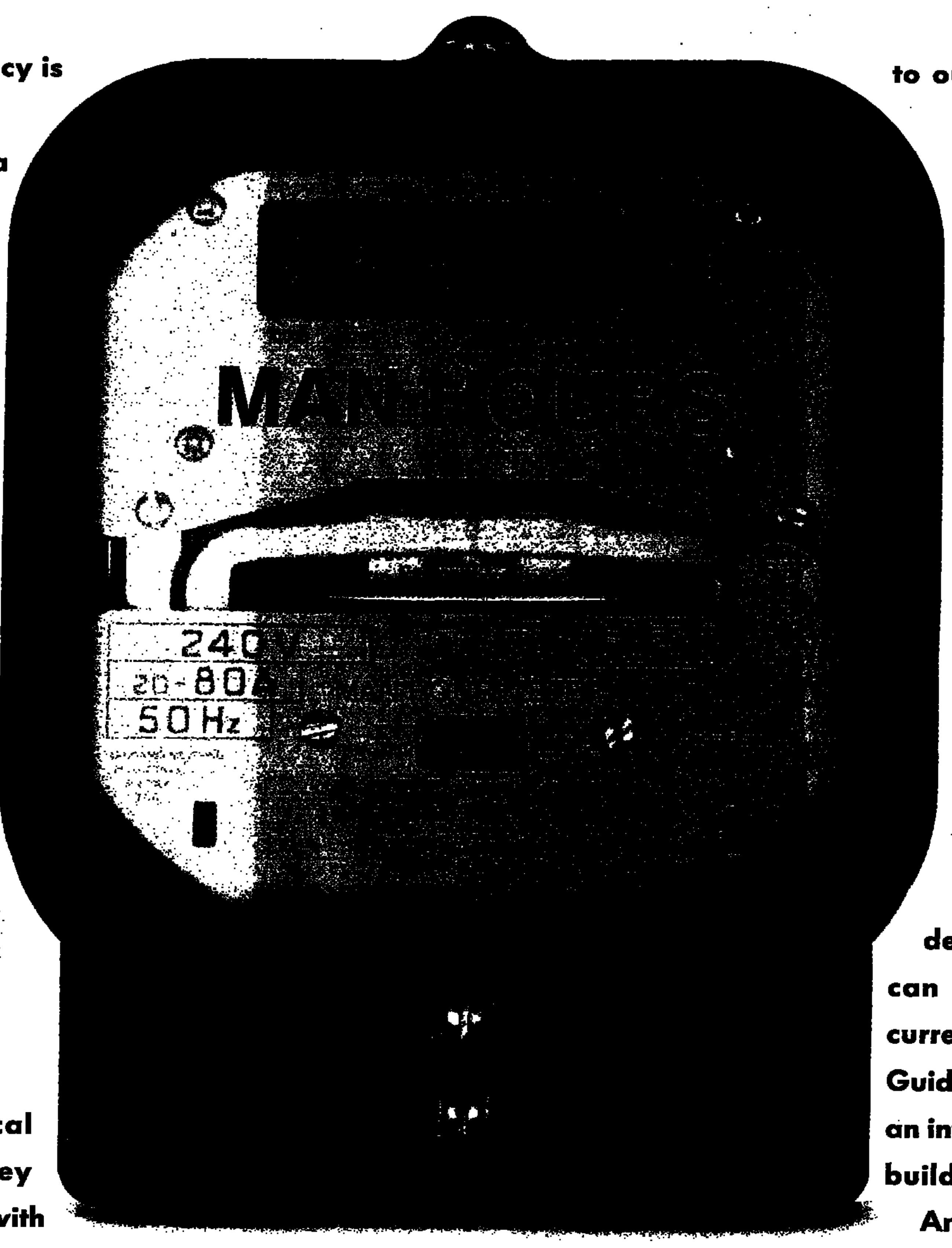

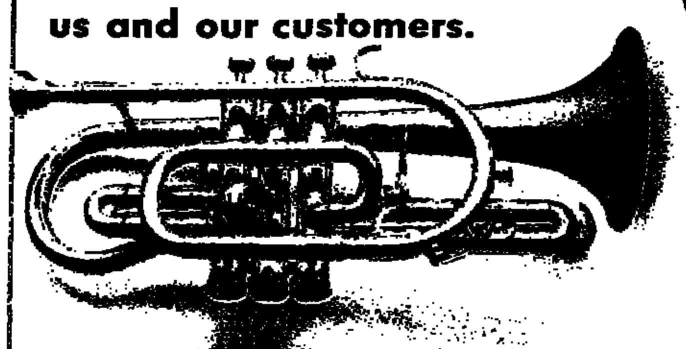

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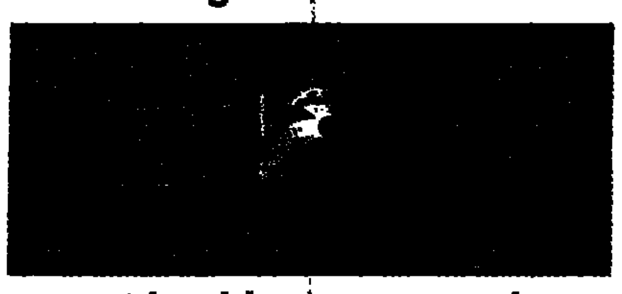

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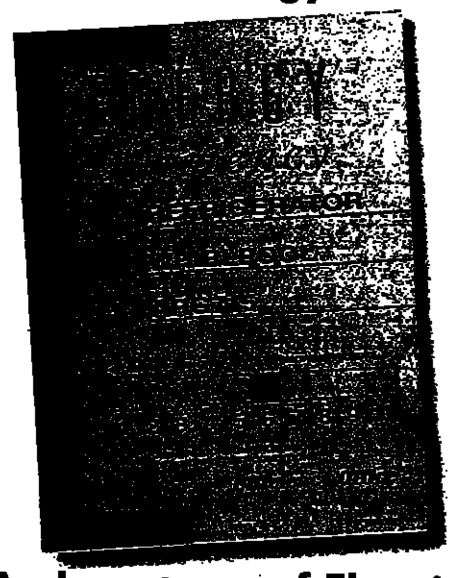

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INSIDE

KLM and Northwest nearer integration

The US Department of Transportation has tentatively approved the proposed integration of services between KLM Royal Dutch Airlines, the Dutch carrier, and Northwest Airlines, the US airline. The "show cause" order seeks *comment as to why the request made by the* two carriers should not be granted, after which the DoT will issue a final decision.

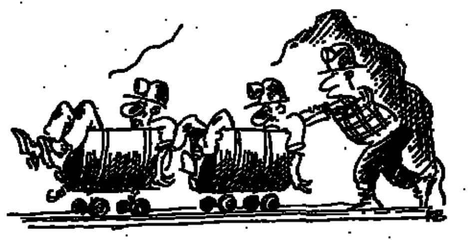
Marvin Traub to buy US Habitat

Mr Marvin Traub, ex-chairman of Bloomingdale's, the North American department store chain, is to buy Conran's Habitat in the US. Storehouse, the UK group which owns Habitat, will receive a nominal price from MTLG, a *vehicle owned partly by Mr Traub.* **Page 27**

GM card attracts 2m accounts

A credit card launched by General Motors in September has won more than 2m accounts and accumulated more than $500m in balances in less than 60 days. **Page 22**

Miner ailment

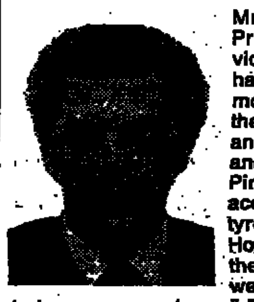


Some of Chile's best mines are above 2,800 metres, the level at which most people begin to feel the onset of altitude sickness. Symptoms include nausea and loss of vision – particularly unwelcome on mining sites. **Page 28**

Retailing aggression

K mart, the number two US retailer by sales, is attempting to steal a march on Wal-Mart, its Arkansas-based competitor. It overhauling its 2,400 discount store outlets; and it has moved abroad with the purchase of a dozen retail outlets in Czechoslovakia. **Page 22**

Pirelli far from deflated



Mr Marco Tronchetti Provera (left), executive vice-chairman of Pirelli, has had turbulent first 12 months in office. First there was oversupply and price competition and then the legacy of Pirelli's failure to acquire its big German tyres rival, Continental. However, he says: "At the end of last year we were clearly the losers, today we are a player." **Page 20**

Nestlé enters UK ice cream

Nestlé, the world's largest food manufacturer, has bought most of the assets of Clarke Foods, Britain's second largest ice cream producer, which went into receivership last month. The purchase marks the Swiss group's first move into the UK ice cream market. **Page 27**

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko Pri	395	+	25
Lahmeyer	575	+	10
Siemens	586	+	9.3
Falls			
Colonia Konz	750	–	30
Daimler-Benz	539.4	–	14.6
Heidelb Zem	805	–	15
NEW YORK ($)			
Falls			
AMR	$63\frac{5}{8}$	–	$1\frac{5}{8}$
Am Reliance	$6\frac{1}{2}$	–	$\frac{5}{8}$
Delta Air	$54\frac{1}{2}$	–	$2\frac{3}{4}$
K-Mart	$27\frac{1}{4}$	–	$\frac{1}{4}$
Toys-R-Us	36	–	$\frac{5}{8}$
UAL	$119\frac{5}{8}$	–	$4\frac{1}{4}$
PARIS (FFr)			
Rises			
Credit Nat	1090	+	14
GTM-Entrepose	299	+	13.9
Geophysique	590	+	11
Falls			
Alcatel Alst	645	–	17
Canal	1048	–	22
Gal Lafayette	1940	–	30
TOKYO (Yen)			
Rises			
Ando Elec	580	+	30
Lonseal	210	+	12
Mikuni	280	+	20
Taihei Kogyo	570	+	51
Falls			
Amada Metrecs	1180	–	80
Mitsui Wharf	450	–	31

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Bunzl	89	+	9
Explaura	$7\frac{1}{2}$	+	2
Hardys	65	+	4
Handleigh Tec	795	+	17
Jarvis Porter	175	+	15
Medeva	223	+	12
Norex	113	+	24
Platignum	33	+	6
Ratners	$19\frac{1}{2}$	+	$3\frac{1}{4}$
Ribco	$25\frac{1}{2}$	+	$3\frac{1}{2}$
Volex	348	+	13
Falls			
Beauford	15	–	3
British Steel	$46\frac{1}{2}$	–	3
Euro Disney	918	–	55
Lopex	17	–	3
Nthern Foods	274	–	10
RMC	484	–	17
Sedgwick	150	–	7
Unigate	285	–	15
Whitbread A	422	–	14

AT&T alliances open new market

By Lousie Kehoe in San Francisco

AMERICAN Telephone and Telegraph aims to claim a leadership role in what is predicted to become a multi-billion dollar market for "personal communicators" – hand-held devices that *combine the functions* of a cellular telephone, facsimile machine and pen-computer.

Yesterday NEC and Toshiba, two of Japan's leading electronics manufacturers, announced that they will build personal communicator products based upon AT&T technology.

These agreements follow an alliance between AT&T and Eo, a Silicon Valley company that has designed what it claims is "the world's first personal communicator". It is to be manufactured by Matsushita with distribution and marketing support from Marubini, the Japanese trading company.

AT&T Consumer Products group will also sell the Eo product under its own label through its Phone Center stores in the US.

"These personal communications devices will become as ubiquitous as the telephone or the television," said William Warwick, president of AT&T Microelectronics, the group's semiconductor unit. "It is more than exciting. *It is a brand new* communications world." He predicts that there could be as many as 1bn of the devices in use in 10 years.

Personal communicators allow users to exchange voice, facsimile and electronic mail messages via telephone lines or cellular wireless telephone links. They *incorporate an electronic "pen interface"* so that users can simply jot down a note on an electronic notepad and send it by facsimile or electronic mail just by choosing a name from a phone list stored in the device.

Mr Warwick said that later generations of personal communicators will incorporate graphics and full-motion video capabilities. Video conferencing and transmission of high-resolution still images will be available on the portable gadgets "sooner than you think", he said.

Personal communicators represent a potentially huge new source of data communications traffic for AT&T's communications networks. AT&T EasyLink Services has developed electronic mail services for the personal communicators.

Polish investment, Page 23

Christopher Parkes on why Daimler-Benz has stalled

German motor's rough ride

MERCEDES-BENZ, the motor at the heart of Daimler-Benz, the German vehicles, aerospace and *electricals group, is running* rough.

Bankers' and brokers' analysts ran for cover yesterday, slashing forecasts as they went, following a radical revision by Mr Gerhard Liener, finance director, of the group's own expectations for 1992.

Group net profit, he confirmed, far from meeting the board's target and matching last year's DM1.94bn ($1.21bn), will fall to around DM1.5bn. A large chunk of that, possibly as much as DM400m, will come from the newly-consolidated Deutsche Airbus business. Mr Liener said Mercedes-Benz would sell some 30,000 cars fewer than expected this year, and inventories had increased accordingly to 40 per cent above normal levels. The results would also be hit by the cost of special sales incentives.

By way of compensation, he suggested that the dividend would be held at last year's DM13. And as he made clear in a radio interview yesterday, payroll cuts totalling 40,000 jobs by the end of 1994 – including 7,500 on top of the 20,000 already announced at Mercedes – would yield annual savings of around DM1bn as early as next year.

Deutsche Bank promptly cut its forecast for the group's earnings this year from DM57 to *DM50 a share*, and from *DM47 to* DM40 for 1993. Daimler shares shed DM14.60 in Frankfurt and closed at DM539.40 in a static market apparently paralysed by word from the government's panel of five independent advisers that the west German economy will not grow at all next year.

Just as in the economy at large, nothing much is going right at present for Daimler-Benz. Deutsche Aerospace (Dasa), its aircraft arm which squeezed a DM50m profit out of DM12bn sales last year. It said last week that new orders this year would be more than 25 per cent lower than expected.

Mr Bernd Gottschalk, head of the Mercedes trucks division, recently marked his first six months in the job with the announcement that plans for a new DM1bn lorry plant near Berlin had been shelved.

He later explained that Mercedes' worldwide truck output would fall 5 per cent and domestic production would be down 11 per cent this year.

September's intake of orders from German customers for vehicles over 6 tonnes was 29 per cent lower than in August, he added.

It is now clear that trucks and cars, which bring in about 70 per cent of both group sales and profits, and which are the cornerstone of Daimler's grand design *to transform itself into* an international high-technology power centre, have suffered a sudden and dramatic downturn in their fortunes since the half-way mark this year.

At the end of June, Mr Edzard Reuter, group chairman, was still confident of beating 1991's net result. By August, when the half-year figures appeared and showed a 16 per cent profits advance, he spoke of a "subsiding boom" in the domestic market where the group does around 46 per cent of its business.

Even then it seemed that cost-cutting measures already under way, including cutting 20,000 jobs at Mercedes and 7,500 at Dasa, would cushion the group against the effects of subsidence.

As late as last month, senior executives insisted that the group would sell 550,000 cars this year.

But as Mr *Liener's* informal weekend briefing to Stuttgart journalists betrayed, the Mercedes car business had already stalled.

Deliveries in July and August *were between 30 per cent and 50* per cent lower than in the previous months, the company said yesterday. There had been some recovery since then in middle and top-range sales, but not in the popular 190 series.

This unexpected downturn (which had not dented rival BMW so badly because it had the "luck" to have new models on hand to tempt buyers) was the main cause of the group's troubles, the the company added.

The failure of Japanese and US markets to recover according to economic forecasters' prescriptions was the second main factor, while the September money markets "disaster" which led to the revaluation of the D-Mark had played a lesser role, the company said.

Corporate short-sightedness was another factor, according to local analysts, who have persistently charged that German business has for too long failed either to acknowledge or address the possibility that Germany might not, after all, be immune to infection from international *recession*.

Yesterday's black prognosis from Bonn's "five wise men" confronts German industry and its bell-wether Daimler with the prospect of another round of reassessment of how it can best cope with the downturn, restore fading competitiveness in its traditional businesses and at the *same time continue the advance* into new technologies.

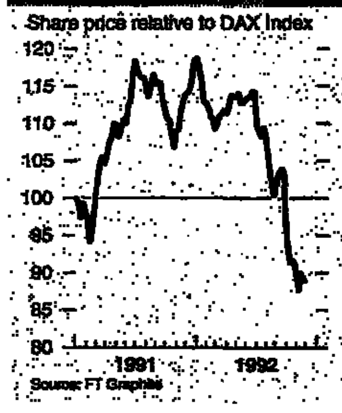
The group hopes that the launch of the new 190 car series, to coincide with the modest upturn expected by economists in the middle of next year, followed by the appearance of revamped mid-range models, will mark a turn in Mercedes' short-term fortunes.

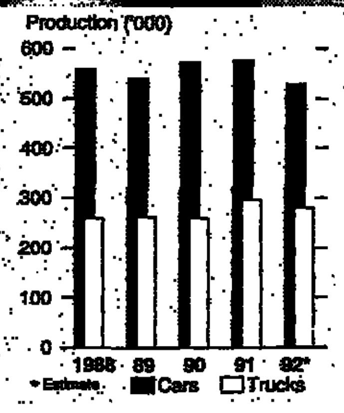
Longer-term, its brand-new car plant at Rastatt near Baden Baden is perfecting manufacturing techniques which, it is hoped, will bring the group within striking distance of the productivity levels common among Japanese competitors.

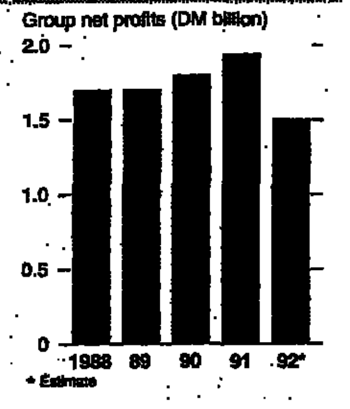
In the meantime the group has learnt hard lessons which should stand it in good stead if forecasts of international recovery next autumn turn out yet again to be too optimistic.

It is now clear that trucks and cars, which bring in about 70 per cent of both group sales and profits, have suffered a sudden and dramatic downturn

Daimler-Benz







KGF buys Nabisco cold cereal business

By Nikki Tait in New York

KRAFT General Foods, the core US food division of Philip Morris, has stepped in as the purchaser of RJR Nabisco's cold cereal business, which takes in the Shredded Wheat and Shreddies brand names.

Like the *previous potential* acquirer of the cereal operations, General Mills, the huge tobacco and food group has agreed to pay $450m in cash for the business, with some international trademarks.

The manufacturing facilities to be acquired will include plants in Naperville, Illinois, and Niagara Falls, Ontario, although Nabisco will keep a plant in Niagara Falls, New York, to manufacture snack biscuits.

Commenting on the purchase, which is still subject to regulatory review in the US and Canada, Philip Morris said that it intended to incorporate the Nabisco cereal lines into its existing Post line of breakfast cereals, and would market both through the Kraft sales and distribution networks.

Mr Richard Mayers, head of Kraft General Foods, claimed that the "ready-to-eat" cereal category offered "great potential for expanded growth and operating income".

Philip Morris's existing cereal *lines include Honey Bunches*, Grape-Nuts, Pebbles and Marshmallow Alpha-Bits.

According to the tobacco and food group, its Post cereal lines have around 11.5 per cent of the US cold cereals market at present, while the Nabisco products are estimated to have around 3 per cent – a figure which has *declined from more* than 5 per cent four years ago.

Nabisco had originally planned to sell the cold cereals business to General Mills. This deal was announced in early September. However, it was aborted in November when it become clear that a "lengthy and prolonged review" by federal anti-trust authorities was likely.

Speculation that another buyer would be sought immediately surfaced – with Philip Morris touted as one of the favourite replacement buyers. Although yesterday's deal between Philip Morris and Nabisco is subject to regulatory review, it seems less likely to provoke problems. The combined shares of the US market would be under 15 per cent, on Philip Morris's figures. There are two bigger groups in the sector – Kellogg and General Mills.

Virgin and Blockbuster join to open music megastores

By Michael Skapinker, Leisure Industries Correspondent

MR RICHARD Branson's Virgin Group yesterday announced a joint venture with Blockbuster *Entertainment, the Florida-based* video rental company, with the aim of building music megastores in every large US city and throughout much of Europe.

The joint venture will own Virgin's retail outlets in the US, continental Europe and Australia. It will not affect Virgin's retail outlets in the UK, where it has a *joint venture with retailer* WH Smith, or in Japan, where it is linked with the Marui retail chain.

Virgin and Blockbuster will have equal shares in Virgin's 14 stores in continental Europe and Australia. They will also equally own Virgin's store in Los Angeles, which is due to open next month.

Virgin said it hoped to double its European presence, with the two joint venture partners funding expansion equally.

Blockbuster's acquisition of the European and Australian stakes will result in a large payment to Virgin, although no amount was disclosed yesterday.

With the exception of the Los Angeles store, Blockbuster will own 75 per cent of the US venture, with Virgin retaining the remaining 25 per cent.

The joint venture hopes to open stores throughout the US, with Blockbuster providing most of the funding. The stores will be managed by Virgin.

Blockbuster and Virgin will have equal representation on the board of the US joint venture. Virgin will have the option to increase its stake to 35 per cent over the next three years.

Blockbuster last month announced an agreement to buy 236 Music Plus and Sound Warehouse music stores in the US *from companies controlled by* Shamrock Holdings of California, an investment group controlled by Mr Roy Disney, Walt Disney's nephew.

Virgin said the link with Blockbuster would enable it to offer video rentals in its new US music stores. Competing US music outlets already offered such a service.

Blockbuster last January bought Cityvision of the UK, owner of the Ritz chain, making it the biggest video rental operation in the US and Britain.

Virgin is also looking at opportunities for expansion in south-east Asia.

British Steel warns more jobs may go

By Andrew Baxter in London

BRITISH STEEL warned yesterday that it may have to make further job cuts unless the European Commission supports an orderly *restructuring of* the European steel industry and curbs allegedly unfair imports from eastern Europe.

The warning came as the privatised steelmaker announced a £51m ($77m) pre-tax loss for the six months to October 3, compared with a £19m profit a year ago. British Steel's shares fell 3p to equal an all-time low of 46½p, as the company became the first privatisation stock to omit its interim dividend.

British Steel has already reduced its UK workforce by 20 per cent to 41,800 over the past two years, and the total will fall further to just over 40,000 by the end of the current financial year.

But yesterday Mr Brian Moffat, chief executive, said that if the EC failed to uphold its principles of a "level playing field", efficient private sector companies such as British Steel would have "no other course but to further retract".

British Steel is one of 15 big European steelmakers which last month urged the European Commission to agree a far-reaching programme of political, commercial and financial assistance for the recession-torn industry.

The over-riding requirements, says the UK company, are to ensure that restructuring and capacity reductions are driven by market demand and nor impeded by the introduction of state aids, and that the dumping of steel into Europe is avoided through "robust and effective" anti-dumping mechanisms.

British Steel's warning comes a week ahead of a meeting of EC industry ministers to discuss the restructuring proposals.

British Steel has formally complained to the Department of Trade and Industry about imports of Czech steel to the UK, and wants similar action to that taken by France and Germany, which have pegged east European imports to around 20 per cent above 1991 levels.

Time is running out for the UK government to take action, because of changes in EC legislation at the beginning of next year. But Mr Moffat said the EC would almost certainly introduce proper controls on East European imports across the Community which would include minimum price levels.

Lex, Page 18, Details, Page 27

This announcement appears as a matter of record only.

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BARINGS

November, 1992

Robert Lion resigns as Caisse des Depôts head

By Alice Rawsthorn in Paris

MR Robert Lion yesterday resigned as chairman of the Caisse des Depôts et Consignations, the state-controlled bank which is France's largest and probably most powerful investment institution.

The French cabinet will decide upon the successor to Mr Lion, 58, a close associate of President François Mitterrand, at a forthcoming meeting. Mr Jean-Claude Trichet, head of the French Treasury, and Mr Philippe Lagayette, deputy governor of the Bank of France, have both been mooted as likely candidates.

Mr Lion, a controversial figure in the French financial sector, announced his resignation yesterday at an executive committee meeting. However, he told President Mitterrand last June of his plans to leave.

The chairmanship of the Caisse is one of the most sought-after posts in French finance. The incumbent controls a formidable institution and is virtually unassailable given that the position runs for an indeterminate period. The chairmen of other state-controlled companies are appointed for three year terms.

Until his arrival the Caisse, which manages the state savings system and had funds of FFr1,560bn ($289.42bn) last year, had a relatively low profile.

Mr Lion has pursued a more dynamic policy of private sector investment. He hit the headlines in 1988 with his bid for Société Générale, the recently privatised bank. The bid flopped, thereby unleashing a storm of criticism from Mr Lion's detractors and renewed calls to reduce the Caisse's power by separating its savings activities from its private sector role.

Paribas sees loss in cement deal

By Alice Rawsthorn

PARIBAS, one of France's high prestige banks, will suffer a FFr600m ($115.3m) loss of profits this year because of its involvement with Ciments Français, the French cement company scarred by a scandal over its off-balance sheet losses.

Ciments Français, in which Paribas earlier this year agreed to sell a controlling stake to Italcementi of Italy, has been clouded by controversy since the discovery last month of off-balance sheet dealings of FFr1.05bn.

The company recently confirmed the dealings had cost it FFr655m in exceptional losses during the first half of this year.

This meant Paribas not only faced a reduction in its capital gains on the sale of its shares to Italcementi, but also and a fall in its share of Ciments Français's estimated first half profits.

Analysts anticipate net profits of less than FFr1.5bn from Paribas this year, against a loss of FFr184m in 1991 and profits of FFr2.54bn in 1990.

UK gas group drops 30.6%

By Paul Abrahams in London

BOC, the UK industrial gases and healthcare group, yesterday announced a 30.6 per cent decline in pre-tax profits to £215m ($324.6m) for the year ended September, 1992.

The company warned the three locomotive growth economies in the world had stalled. The US, German and Japanese economies were all slow or slowing, it said. Sales of BOC's gases are a sensitive barometer of industrial activity.

Mr Patrick Rich, chairman, said US demand had recovered only partially during the last 12 months.

Meanwhile, Japanese manufacturing activity was now about 7 per cent lower than last year, the steepest decline since 1975.

Lex, Page 18

Kingfisher expands into office stationery

By Maggie Urry in London

KINGFISHER, the retail conglomerate, is moving into the UK office stationery and equipment market though a joint venture with Staples Inc, the fast growing US chain. The partnership plans to open four stores in the UK next year, with each side investing up $6m to test the market.

The stores will be based on the format Staples has developed in the US, under the name Staples The Office Superstores. In the US, the stores are mainly sited out of town and sell everything from drawing pins to personal computers, aiming to combine a wide range with "everyday low prices".

The stores also produce a catalogue and deliver orders made over the telephone, which represent under 10 per cent of its sales. Staples says that businesses with fewer than 100 employees find it "cumbersome to shop our retail stores".

The UK office supply market is worth about £12bn ($18bn) but the venture is aiming at a sector worth £1.5bn a year. The market is fragmented and many of the wholesalers supplying the market make good margins.

WH Smith, the high street stationers and newspaper wholesaler, has already identified the market as providing a growth opportunity. Smith has acquired a number of stationery wholesalers and recently launched a new brand in the market called Niceday.

Lex, Page 18

Boardroom shake-up at Spanish retail bank

By Tom Burns in Madrid

BANESTO, the big retail bank which owns large share stakes in a number of Spanish companies, replaced its chief executive yesterday following poor results in the group's parent bank.

Mr Enrique Lasarte, chairman of Banco de Vitoria, a Banesto subsidiary and an associate of Mr Mario Conde, Banesto chairman, was appointed Banesto's chief executive in place of Mr Juan Belloso.

The boardroom shake-up is being interpreted among the Madrid business community as confirmation that Banesto is encountering trading problems as the Spanish economy moves into recession.

Mr Lasarte's appointment comes in the wake of losses of Pta25m ($248,828) for Banesto during the third quarter of 1992 with the bank increasing provisions from Pta8.6bn to Pta16.4bn. Most of Banesto's rivals maintained their earnings over the first nine months of 1992.

Banesto appears to be suffering from its aggressive consumer credit policy of recent years. An additional drain on liquidity stems from Banesto's links with Corporacion Banesto, the industrial holding, which groups the bank's corporate interests.

In the past, Banesto has been able to sell industrial interests, such as Petromed, the oil company which was acquired by British Petroleum last year, and thus increase revenue with extraordinary income.

At least two of the Banesto-controlled companies on the Corporacion are currently up for sale – Acerinox, the steel producer and Agroman, the construction company – but a depressed market and the high price that Banesto has placed on them is impeding their disposal.

Mr Juan Belloso is a member of the ruling socialist party who was formerly one of the senior industrial troubleshooters in state-owned enterprises.

Tyre group is down but not out

Haig Simonian looks at the mood of the new management at Pirelli

Marco Tronchetti Provera, executive vice-chairman of Pirelli, has had a turbulent first 12 months in office.

He has had to grapple with the continuing problems of oversupply and severe price competition in the world tyres business, an international downturn in cables as well as the legacy of Pirelli's failure to acquire Continental, its big German tyres rival.

Twelve months after the failed bid, Pirelli is down, but not out. Apart from its direct 5 per cent stake in Continental, it has negotiated options on a further 35 per cent and used its weight to stop Continental from pushing through a capital increase earlier this year.

Although Mr Tronchetti Provera does not see the Continental shares as strategic, Pirelli is still at loggerheads with the company and especially its main shareholder, Deutsche Bank, on how to dispose of them.

Those differences led to an angry clash between Mr Tronchetti Provera and Mr Ulrich Weiss, the Deutsche Bank board member who also chairs Continental's supervisory board, earlier this year.

The truth behind the aborted takeover may never be known, though some bankers believe Deutsche Bank's role was much more active than later admitted. Whatever the circumstances, Pirelli's stake in Continental remains the biggest barrier to any future co-operation between the two companies.

Some industry analysts believe a closer link between Continental and Pirelli – the world's fifth and sixth biggest tyre makers respectively – is essential in the long term to compete against the domination of Michelin, the market leader.

"Remove the shares, and all sorts of situations are possible," said Mr Tronchetti Provera, whose family owns more of Pirelli than the Pirellis. But contrary to occasional rumours, he denies that any talks on possible co-operation have taken place.

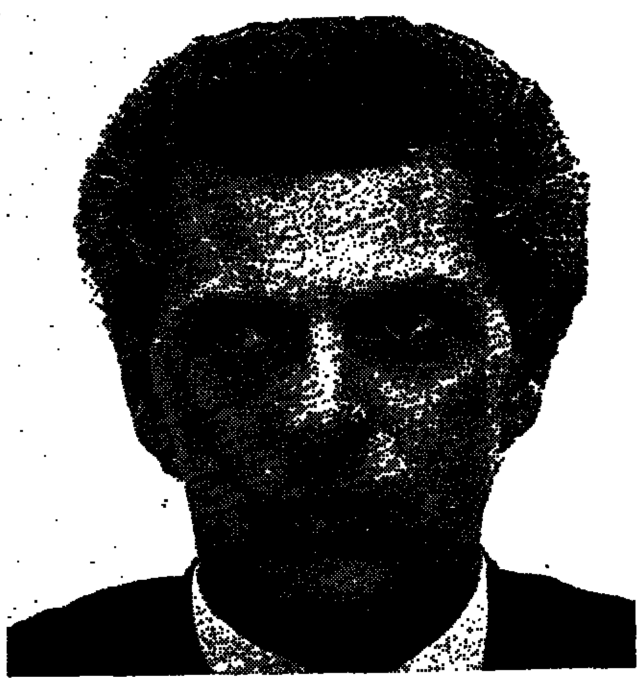
"We haven't been in touch with Continental's management to discuss any projects in the past few months. No one has made any proposals."

In spite of the stalemate, there is much greater confidence at Pirelli compared with last year's dejection. "At the end of last year we were clearly the losers, today we are a player," he says.

The claim is based on the share options, valid until the end of 1993 and renewable on a further payment for three more years. Yet the Italians have so far failed definitively to overturn the 5 per cent voting right restriction on Pirelli's stake in Continental.

Both sides are embroiled in complex legal action to support their positions. However, Mr Tronchetti Provera does not think the courts will ever have the last word.

"I don't think the difficulties between us will be solved through the courts. Both sides use the law to strengthen their positions. But courts are used as bargaining tools, not as forums, to resolve such disputes."



Tronchetti Provera: the situation is damaging to both sides

Mr Tronchetti Provera has called the Continental stake financial, meaning they are for sale at the right price. Pirelli and its allies bought the shares for about DM300, ($187.5) a far cry from the depressed levels of today with Continental shares languishing at little more than DM200.

Mr Tronchetti Provera chooses his words carefully when broaching the role of German institutions in the abortive takeover. Though reportedly opposed to the bid, he does not criticise the initiative.

"But Pirelli's mistake was not to drop it when German institutions decided no longer to support us. We should have sold the shares and walked away," he says.

Yet he clearly thinks negotiations with the Germans – and Deutsche Bank in particular – are the only way forward. "The current situation is damaging to both sides. That's why I believe it will be settled in the end," he says.

Spanish companies hit by weakened peseta

By Tom Burns

LEADING companies, which experienced a run of strong profits in recent years on the back of Spain's strong economy, are feeling the effects of lowered business levels and a weakened peseta.

Telefonica, the state-owned telecommunications company, yesterday reported a third-quarter net income increase of just 2.2 per cent to Pta63.5bn ($632m) against the same period last year. This was in spite of raising operating profit by 13.7 per cent to Pta251.7bn.

Telefonica said the 5 per cent devaluation of the peseta midway through September had caused it to increase its provisions against currency fluctuations by 38 per cent to Pta7.9bn. At the end of September Telefonica's non-peseta debt stood at Pta390bn.

Repsol, the state-controlled energy group, could do little more than maintain nine-month net income at Pta55.1bn. It blamed a difficult global scenario and the expense of both cost reductions and past investments. Repsol's operating profit fell by 9.6 per cent to Pta88.4bn against the same period last year.

Iberdrola, the privately owned domestic utility, posted a third-quarter pre-tax profit of Pta64.4bn, a 9 per cent increase on the same period last year. The company noted that energy consumption by industry had dropped by 4.7 per cent over the nine months.

Both Iberdrola and Repsol, which pays dollars for its energy imports, are severely exposed to the decline in the value of the peseta.

● Sociedad General Aguas de Barcelona, is to step up its capital by Pta774.3bn through a rights issue of 1.54bn shares at a nominal value of Pta540, Reuter reports from Madrid. Shareholders can subscribe to the issue on a one for 25 basis.

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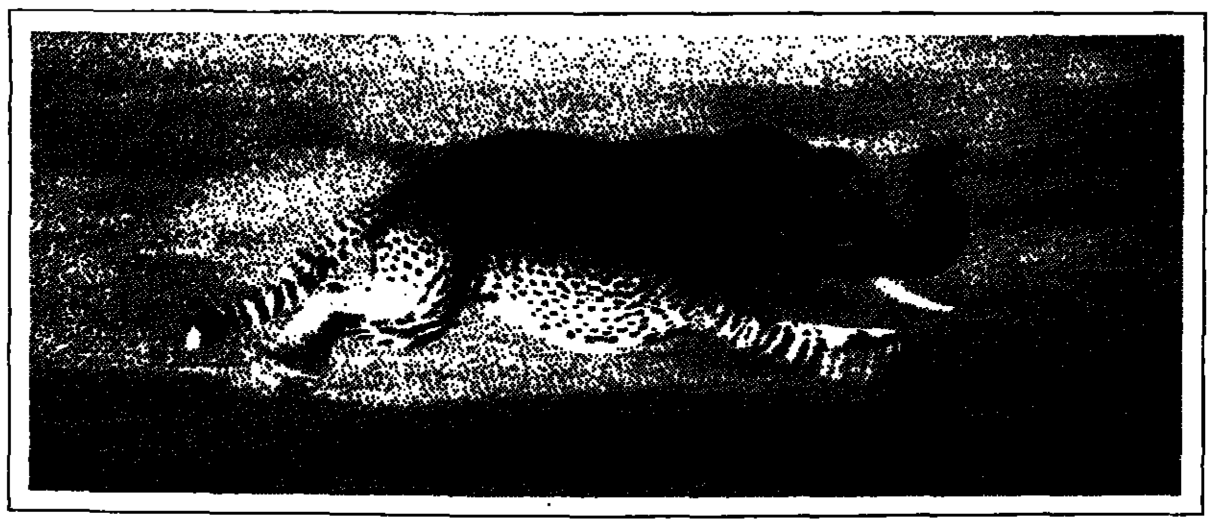

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SEK

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(Swedish Export Credit Corporation)
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U.S. $100,000,000
Senior/Subordinated Floating Rate Notes due 2002

For the Interest Period 13th November, 1992 to 13th May, 1993, the Notes will carry an Interest Rate of 5% per annum with Coupon Amounts of U.S. $25.14, U.S. $251.39 and U.S. $2,513.89 per U.S. $1,000, U.S. $10,000 and U.S. $100,000 Notes respectively. The relevant Interest Payment Date will be 13th May, 1993.

Bankers Trust Company, London Agent Bank

17th November, 1992

FLASH LIMITED SERIES F
U.S. $30,000,000
Secured Floating Rate Notes Due 1993

In accordance with the conditions of the notes, notice is hereby given that for the three-month period 17th November 1992 to 17th February 1993 (92 days) the notes will carry an interest rate of 3.88438% p.a. Relevant interest payments will be as follows:

Notes of U.S. $100,000
U.S. $992.67 per coupon.

THE SANWA BANK LIMITED
Agent Bank

NOTICE OF REDEMPTION

To The Holders of Philip Morris Companies Inc.
U.S.$ 200 000 000
10% Notes due 1995

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the 10% Notes due 1995 (the "Notes") of Philip Morris Companies Inc. (the "Company") and Section 6 of the Fiscal Agency Agreement dated as of December 19, 1985 between the Company and Union Bank of Switzerland, as Fiscal Agent and Paying Agent (the "Agent"), the Company has elected to redeem all of the Notes on December 19, 1992 (the "Redemption Date") at the redemption price of 101.00% of their principal amount, together with accrued and unpaid interest (the "Redemption Price"). All conditions precedent to such redemption have occurred.

On the Redemption Date the Redemption Price will become due and payable. Payment of the Redemption Price will be made upon presentation and surrender of the Notes, together with all appurtenant coupons maturing subsequent to the Redemption Date, at the following offices:

Union Bank of Switzerland
Bahnhofstrasse 45
CH-8021 Zurich
Switzerland

Union de Banques Suisses
(Luxembourg) S.A.
36–38 Grand Rue
L-2011 Luxembourg

Kredietbank N.V.
7 Arenbergstraat
1000 Brussels
Belgium

Bank of Montreal
1 First Bank Tower
First Canadian Place
Toronto, Ontario M5X 1A1
Canada

From and after the Redemption Date interest will cease to accrue on the Notes.

Dated: November 17, 1992

By: PHILIP MORRIS COMPANIES INC.

The Royal Bank of Scotland Group plc

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 13th November 1992 to 15th February 1993, the Notes will bear a Rate of Interest of 7.1875% per annum. The amount of interest payable on 15th February 1993 will be £92.42 per £5,000 Note and £924.20 per £50,000 Note.

AGENT BANK: CHARTERHOUSE BANK LIMITED

A member of The Securities and Futures Authority

CHARTERHOUSE

Bikuben

Sparekassen Bikuben A/S
(A Savings bank established under Danish Banking Law)

U.S. $45,000,000
Floating Rate Subordinated Notes due 1996

Holders of Floating Rate Subordinated Notes of the above issue are hereby notified that for the interest period from 18th November, 1992 to 18th May, 1993 the following information will apply:-

1. Rate of Interest 5.25%
2. Coupon Amount: US$263.96
3. Interest Payment Date: 18th May, 1993

Agent Bank
Bank of America International Limited

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Market Myths and Duff Forecasts for 1992

The recession is over; stockmarkets are in a bull trend; the US dollar will continue to recover. You did NOT read that in FullerMoney - the iconoclastic investment letter.
Call Jane Farquharson for a sample issue (once only)
Tel: London 71 - 439 4961 (071 in UK) or Fax: 71 - 439 4966

INTERNATIONAL COMPANIES AND FINANCE

Barlow Rand hit by falling economy

By Philip Gawith in Johannesburg

A SHARP deterioration in the South African economy during the second half of the year restricted earnings growth at Barlow Rand, the country's largest industrial company, to only 2 per cent in the year to September.

Turnover rose by 10 per cent to R35.2bn ($11.78bn) from R32bn the year before, but the difficult trading conditions meant operating profits before interest advanced by only 5 per cent to R2.7bn from R2.6bn.

Mr Warren Clewlow, chairman, described the year as "difficult and challenging," borne out by recent figures showing that the country's real gross domestic product fell at an annualised rate of 5.7 per cent during the September quarter. Barlows' annual turnover is equivalent to about 10 per cent of South African GDP.

The sharp slowdown during the second half is evident in that earnings per share were 11 per cent up at the halfway mark, compared with 2 per cent for the year. The directors predicted in May that growth would slow during the second half.

Looking at the group's divisional performance, the best performance came from food and pharmaceuticals despite the impact of the recession on consumer spending. Static volumes were offset by higher efficiencies and productivity gains.

Mr Clewlow described business activity as "severely depressed" in many of the sectors in the industry division, causing earnings to fall. Reunert performed strongly, and profits from information technology were up, but most of the wholly owned subsidiaries recorded lower profits.

On the mineral resources side, earnings from continuing operations fell by 4 per cent – although Rand Mines' performance was not strictly comparable with 1991 – while Pretoria Portland Cement managed a marginal increase in earnings.

Packaging subsidiary Nampak, the largest packaging company in the country, lifted pre-tax profits. Textiles group Romatex recovered from a poor 1991 to lift profits sharply.

J. Bibby, the international arm of the group, produced "satisfactory" results, a feature being the acquisition of the Caterpillar dealerships in Spain and Portugal.

Taking into account the larger number of shares in issue following the issue of a scrip dividend in 1991, earnings per share rose by 2 per cent to 438 cents from 431 cents.

The dividend for the year is being raised by 2 per cent to 173 cents a share from 170 cents.

Nomura Securities to close three offices in Europe

By Emiko Terazono in Tokyo

NOMURA Securities, Japan's largest securities brokerage, yesterday announced the closure of three of its European offices to reduce costs, amid the slump in the domestic stock market and the fall in underwriting business in Europe.

In the latest move to reorganise its operations overseas, Nomura will close its Munich and Basle branches at the end of this month, and its Stockholm representative office on December 11. The closures follow last month's cut of 50 staff in London.

The operations of the Stockholm office will be taken on in London. The four local employees are to be made redundant. Staff at Nomura's Munich and Basle offices have been offered jobs at its Frankfurt and Zurich subsidiaries.

Last month, Yamaichi Securities closed its branch in Melbourne.

Japanese brokerages have been forced to concentrate on strengthening domestic operations at a time when the Tokyo stock market has failed to recover.

While the Nikkei stock average rose from a six-year low of 14,309 in mid-August, after the Japanese government's announcement of an emergency economic package, the index has since lost half of these gains on worries over corporate earnings and the country's political turmoil.

Japanese brokerages crowded into the European markets during the height of the Tokyo stock market in the 1980s, when Japanese companies rushed to raise equity-linked funds. However, the slump in the home market has depressed overseas equity-linked financing.

Nomura said that since current overseas operations were built to satisfy clients' needs at the peak of the Tokyo stock market, the streamlining of operations was inevitable.

Fay, Richwhite to pay bonus on BNZ stake sale

By Terry Hall in Wellington

FAY, Richwhite, the New Zealand merchant bank, is to pay shareholders NZ$40m (US$21m) as a tax free special dividend to mark the successful sale of its 23 per cent holding in the Bank of New Zealand (BNZ).

Sir Michael Fay, joint managing director, told the annual meeting in Auckland that the company would pay a special dividend of 12 cents a share with the final dividend of 2 cents a share on December 4.

He said that following the sale of BNZ to National Australia Bank (NAB) last week, Fay, Richwhite had around NZ$40m of liquid shareholders' funds in excess of maximum requirements. The directors felt that the payment of a special dividend was appropriate.

Sir Michael said that in a business and banking environment in which there was a preference for single purpose companies, it was Fay, Richwhite's intention to remain focused solely on merchant banking and to refrain from any strategy which confused the business with that of an investment company.

The company's working capital would be used only for trading purposes, with surplus funds returned to shareholders.

The sale of BNZ, which netted Fay, Richwhite NZ$389m, had enabled the company to retire all its core debt, which would lead to a substantial reduction in interest costs and improve cash flow.

The sale would also lead to a significant improvement in the quality of earnings.

Fay, Richwhite shares rose 5 cents to 82 cents on the New Zealand Stock Exchange yesterday afternoon before the announcement. Earlier this year the shares hit a low of 52 cents, but reached NZ$1.20 during the America's Cup yachting challenge, when Sir Michael Fay was the main backer for the New Zealand entry.

Bank cleared of favour claims

By Terry Hall

FAY, Richwhite, the New Zealand merchant bank, was yesterday cleared by a public inquiry of allegations that as a leading shareholder in Bank of New Zealand (BNZ) it was granted favours relating an urgent NZ$42.5m (US$22.31m) loan it received from BNZ in 1990.

At the time Fay, Richwhite held around 26.9 per cent of BNZ and was its biggest shareholder, apart from the New Zealand government. Both sold their combined 82.9 per cent holding to National Australia Bank (NAB) last week.

The allegations were made during investigations into BNZ's affairs between 1985 and 1990 when it faced financial disaster due to NZ$2.8bn of bad debts. The investigations followed accusations made in parliament by Mr Winston Peters, a dissident government backbencher.

Mr Peters and a dismissed BNZ executive claimed that Fay, Richwhite had used undue influence in getting a loan to refinance its Auckland headquarters building, and that it was in excess of the BNZ's normal loan to value ratio.

Mr Larry Johnson, the BNZ executive, also claimed in an affidavit in parliament that he had been intimidated into approving the loan by Sir Michael Fay, who was both a director of the BNZ, and joint managing director of Fay, Richwhite.

Mr Peters, who was sacked as minister of Maori affairs earlier this year and is a very popular politician, has been battling for a full public inquiry into the BNZ. He has released a string of documents to support his case.

This inquiry, by Dr George Barton QC, is the first of four investigations into BNZ to have completed its assignment.

Drop of 3% at Daiwa House

By Emiko Terazono

DAIWA House Industry, a leading Japanese housing company, yesterday reported a drop in interim pre-tax profits due to a fall in financial revenues countering a rise in sales.

For the first six months to September, Daiwa House posted a 3 per cent fall in non-consolidated taxable profits to Y43.8bn ($353m), on a 7.9 per cent rise in sales to Y464.6bn. Net profits edged ahead by 0.9 per cent to Y22.2bn.

Slack housing sales were offset by improved housing rentals.

However, the company blamed the fall in profits on a Y5.7bn decline in interest income. Orders of its housing construction division rose 1.4 per cent, while building redevelopments fell 20.9 per cent.

For the 12 months to March, Daiwa House expects pre-tax profits to fall 0.6 per cent to Y90bn on a 6.5 per cent rise in sales to Y940bn.

● Hazama, a leading Japanese engineering and construction company, reported a sharp fall in first-half earnings due to sluggish private-sector orders.

Non-consolidated interim pre-tax profits plunged 41.1 per cent to Y8.65bn on a 7.8 per cent fall in sales to Y277.8bn. Net profits slid 44.2 per cent to Y3.3bn.

Nedcor advances 19% to R408m

By Philip Gawith

NEDCOR, South Africa's fourth largest bank, performed in line with its main competitors, but slightly better than market expectations, to record a 19 per cent increase in net profits to R408m ($136.88m) for the 12 months to September from R344m the year before.

The country's banking sector has been the one whose profits have withstood the severe recession. Nedcor is no exception, profiting from wider interest margins as the cost of money has fallen quicker than lending rates.

Mr Chris Liebenberg, chief executive, said all parts of the bank had performed soundly. The wider margins and an increase in lending volumes, helped net interest income rise 19 per cent to R1.6bn.

Other income rose by 17 per cent, to R1.06bn from R904m, leaving total income 18 per cent up at R2.7bn from R2.3bn.

Where the bank did feel the downswing was in the need to increase the provisions for bad debts, particularly in the case of clients holding properties in areas vulnerable to unrest. These rose by 2 per cent to R238m from R233m.

Costs rose by 17 per cent, a figure which compares favourably with Nedcor's opposition, but a rise in the tax charge meant the increase in net profits was restricted to 19 per cent – up to R408m from R344m.

A divisional breakdown of net income shows that R317m came from Nedcor bank, 17 per cent up on 1991. Finansbank and Cape of Good Hope Bank contributed R22m, Syfrets Group R22m and UAL Merchant Bank R47m – increases respectively of 57 per cent, 10 per cent and 21 per cent over 1991.

Total assets grew by 14 per cent to R47.3bn from R41.6bn – in line with inflation – while advances increased by 12 per cent to R34.7bn from R30.

The dividend is being lifted by 16 per cent to 66 cents a share from 57 cents on a similar increase in earnings to 215 cents a share from 185 cents.

Japanese steel trader reverses

SUMIKIN Bussan Kaisha, a Japanese steel product trader due to merge with heavily-indebted Itoman Corp, yesterday unveiled parent net losses of Y75m ($605,000) for the six months to September 30, compared with profits of Y425m a year earlier, Reuter reports from Tokyo.

The losses were due to slow demand for steel products stemming from the overall economic slump.

Sumikin Bussan, which is 59.5 per cent owned by Sumitomo Metal Industries, forecasts full-year net profits of Y50m. It posted half-year parent pre-tax profits of Y107m, down from Y852m, while sales fell to Y328.42bn from Y358.55bn. It expects full-year taxable profits of Y600m on sales of Y690bn.

Sumitomo Metal Industries yesterday declined to comment on how the expected falls in Sumikin Bussan's earnings would affect its profits for the year to March.

Unlisted Sumikin Bussan will merge with listed textile trader Itoman on April 1 next year. After the merger, the company will be not be listed on any exchange. However, it aims to be listed on the Tokyo Stock Exchange by 1996.

Itoman carries a large amount of debt because of its investment in properties and art but this will not directly affect the planned listing. The debt will not be passed to the merged firm but will be cleared by Itoman.

For the six months to September 30 1992, Itoman sees parent taxable losses of Y8bn and net losses of Y43bn. For the year to March it sees taxable losses of Y17bn and net losses of Y90bn.

Nippon Housing Loan plunges to Y21bn loss

By Emiko Terazono

NIPPON Housing Loan, Japan's largest housing loan company which is being restructured due to mounting problem loans, yesterday posted pre-tax losses and a sharp fall in turnover for the first half to September.

The company plunged into taxable losses of Y21bn ($169m) from profits of Y1.1bn a year earlier. Turnover fell by 31.8 per cent to Y73.2bn. At the net level Nippon Housing Loan reported losses of Y29.4bn compared with profits of Y738m.

The company said non-performing loans were increasing due to the property slump. Unrealised losses on securities were Y27.7bn, while the outstanding balance of loans at the end of September fell 3.3 per cent to Y2,239.8bn.

Nippon Housing Loan is passing its interim dividend compared with Y3 a share last time, and has refrained from making an earnings projection for the full year to March.

Wacoal tumbles despite sales rise

By Emiko Terazono

WACOAL, a Japanese underwear maker, yesterday reported a sharp fall in profits despite a rise in sales, due to lower margins and the cost of redeeming warrant bonds.

Taxable profits fell 13.5 per cent to Y6.3bn ($50.8m) on a 4.3 per cent rise in sales to Y66.2bn. Net profits fell 9.3 per cent to Y3bn.

Wacoal said its spring and autumn sale campaigns boosted sales of woman's underwear by 6.2 per cent.

WITHOUT PREJUDICE

NOTICE

to the holders (the "Holders") of the outstanding receipts (the "Receipts") issued on deposit of the

Bell Resources Financial Services N.V.

(the "Issuer")

U.S.$57,585,000 5¼ per cent. Guaranteed Convertible Subordinated Bonds due 1996

unconditionally guaranteed on a subordinated basis by

Australian Consolidated Investments Limited

(ACN 008670824) (formerly called Bell Resources Ltd.)

(the "Guarantor")

in respect of which the put option in Condition 8(C) of the said Bonds was exercised (the "Bonds").

NOTICE IS HEREBY GIVEN to the Holders, further to the notices published by the Issuer on 24th August, 1992 and 20th October, 1992, that, in advance of the hearing of the Issuer's petition to the House of Lords for leave to appeal against the Judgment of the Court of Appeal referred to in such first mentioned notice, the following further without prejudice arrangement (the "Second Arrangement") has been formulated by the Issuer and the Guarantor for full and final settlement of all claims in respect of the Bonds:

"THE SECOND ARRANGEMENT

Pursuant to a Second Supplemental Trust Deed dated 12th November, 1992, the Issuer, the Guarantor and The Law Debenture Trust Corporation p.l.c. (the "Trustee") have agreed on and subject to the terms set out below that:

(1) the Second Arrangement is without prejudice to the Issuer's and the Guarantor's rights in respect of the matters the subject of the petition to the House of Lords and all other matters relating to the Bonds, but shall, on and from the date of the relevant payment in accordance with (3) below, cease to be without prejudice in relation to each Bond to which a valid Settlement Notice (as defined below) relates;

(2) on delivery to the office of the Trustee set out below prior to 3.00 p.m. (London time) on 24th November, 1992 (or such later date as the Issuer may agree) of his Receipts together with a Settlement Notice (in the form obtainable from such office) (each a "Settlement Notice") duly completed and signed, each Holder shall be entitled to and bound to accept the payment by way of premium of U.S.$600 in respect of each U.S.$5,000 principal amount of each Bond to which such Settlement Notice relates in full and final compromise, settlement and discharge of all claims which such Holder, the Trustee or any other person may have against the Issuer and/or the Guarantor in respect of such Bond (including any claim for interest whether in respect of such Bond or otherwise); and

(3) such payments shall be made by the Trustee (out of the amount paid by the Issuer referred to in the notice published by the Issuer on 24th August, 1992) as soon as practicable upon delivery as aforesaid in accordance with the instructions given by Holders in the relevant Settlement Notices and forthwith thereafter the Trustee shall endorse or procure the endorsement of the Receipt(s) with the aggregate principal amount of the Bonds to be cancelled, whereupon the aggregate principal amount of the Bonds shall be reduced for all purposes by the amount so endorsed."

The Second Arrangement is similar to the earlier arrangement (the "First Arrangement") formulated by the Issuer and the Guarantor and set out in the notice published by the Issuer on 20th October, 1992. The First Arrangement has become effective in respect of a total of U.S.$39,550,000 principal amount of bonds which formed a single series with the Bonds.

It is the present intention of both the Issuer and the Guarantor to proceed with the petition to the House of Lords and, if successful, with the appeal against the Judgment of the Court of Appeal.

Holders are referred to the notice published by the Issuer on 24th August, 1992. The issue of whether the Issuer will receive leave to appeal pursuant to its petition to the House of Lords has not yet been resolved but is now expected to be resolved by the end of November, 1992 or shortly thereafter. In addition, certain applications in relation to an action for rectification of the Conditions of the Bonds have been adjourned until at least 14th December, 1992. Moreover, a writ has been issued seeking interest on the difference between the redemption price of the Bonds of 117.70 per cent. of their principal amount and the redemption price of the Bonds of 103 per cent. of their principal amount at such rate and for such period as the Court shall think fit.

In accordance with its normal practice, the Trustee has expressed no opinion as to the merits, financial or otherwise, of the Second Arrangement (which it was not involved in negotiating).

Copies of the following documents will be available for inspection by Holders during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 24th November, 1992 (or such later date as the Issuer may agree pursuant to paragraph (2) of the Second Arrangement) at the office of the Trustee set out below:

(i) the Trust Deed dated 13th November, 1986 between the Issuer, the Guarantor and the Trustee constituting the Bonds and the First Supplemental Trust Deed dated 15th October, 1992 between the Issuer, the Guarantor and the Trustee;

(ii) the notices in relation to the Bonds published in the Financial Times on 27th September, 1991, 11th November, 1991, 24th August, 1992 and 20th October, 1992;

(iii) the Judgments of Mr. Justice Ferris and the Court of Appeal referred to in such notices; and

(iv) the Second Supplemental Trust Deed dated 12th November, 1992 referred to above.

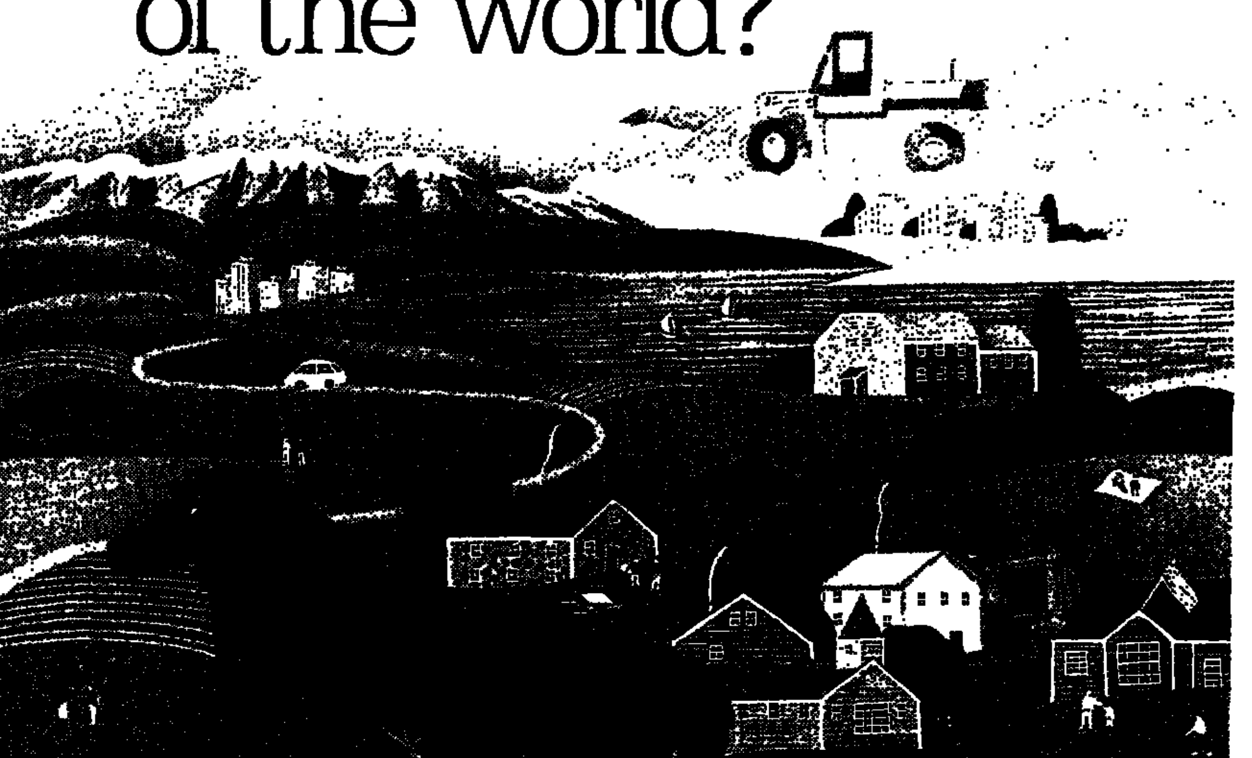
Trustee
The Law Debenture Trust Corporation p.l.c.,
Princes House, 95 Gresham Street,
London EC2V 7LY.

Published by Bell Resources Financial Services N.V.
17th November, 1992

Approved by International Pacific Securities plc for the purposes of section 57 of the Financial Services Act 1986. International Pacific Securities plc of 37 Lombard Street, London EC3V 9BQ is a member of FIMBRA.

This Notice is important. If Holders are in any doubt as to the action they should take in respect of any aspect of this Notice they should consult their stockbroker, solicitor, accountant or other professional adviser duly authorised under the Financial Services Act 1986 without delay.

What's your view of the world?



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This bursary has been set up in memory of FT Photographer Alan Harper who died whilst on assignment in Kuwait in April 1991.

Please contact Natasha Anderson on 071 873 3517 for an application form.
CLOSING DATE 31 DECEMBER 1992

FINANCIAL TIMES BT

Toys 'R' Us up 15% on 'marginal' sales growth

By Nikki Tait

TOYS "R" Us, the large US-based speciality retailer, reported a 15 per cent improvement in third-quarter profits, to $57.9m.

The advance came on sales up from $1.18bn to $1.34bn, and translated into earnings per share of 12 cents, compared with 11 cents in the same period of 1991.

The retailer, which plans to have 540 toy stores operating in the US by year-end and another 167 overseas, said that comparable store sales only increased "marginally" in the quarter, although on a nine-month basis they were up by 3.6 per cent.

The group said it planned to add another 90-95 new stores next year, both in the US and overseas – including the first outlets in the Netherlands, Belgium, Portugal and Switzerland.

Toys "R" Us has now reported after-tax profits of $97.8m for the first nine months of the year, compared with $77.9m a year earlier. Sales in this period advanced from $3.26bn to $3.77bn.

The shares eased $⅞ to $25¾ yesterday.

● Tiffany, the upmarket jeweller, reported after-tax profits of just $56,000 for the three months to end-October, compared with $8.06m in the same period of 1991. Sales slipped from $126.4m to $106.9m.

The US retailer blamed reduced shipments to the Mitsukoshi department stores in Japan. These act as Tiffany's principal distributor in the Japanese market, and the cut was designed to allow the Japanese to adjust stock levels.

K mart reports 11% increase in third quarter

By Nikki Tait in New York

K MART, the large US discount retailer, yesterday reported an 11.1 per cent increase in after-tax profits in the 13 weeks to October 30, to $122m. Sales were up from $7.97bn to $8.84bn, with the advance in "same-store" sales for the quarter running at 2.9 per cent.

Because of an equity-related stock offering in August 1991, however, earnings per share advanced by a more modest 8 per cent, to 27 cents.

Within the group overall, K mart said core general merchandise outlets recorded sales of $6.07bn, up from $5.8bn in the same period of 1991, with same-store sales rising by 2.1 per cent.

On the specialty retail side, sales rose from $2.16bn to $2.77bn, with same-store results up by 5 per cent. Operating profits from the general merchandise division totalled $260m ($216m), while the specialty chains produced $32m ($41m) – a drop partially explained by a $4m loss at the Pace warehouse club chain, compared with a $7m profit last time.

Mr Joseph Antonini, chairman, said yesterday that "the tone of the business improved materially in the third quarter", and noted there had been less disruption to business due to the store renewal programme. He said the company was pleased with the "progress made by the specialty retail group, especially considering the large store opening programme". He suggested that the Pace results had been affected by a rapid expansion programme.

The group has made after-tax profits of $406m in the first nine months, compared with $380m in the same period of 1991, with sales reaching $26.2bn ($24bn).

Antonini puts his faith in the 'big boxes'

The K mart head sees discount emporia as the key to US retailing, writes Nikki Tait

MR JOE Antonini, head of the K mart retail group, stands in the stockroom of a former Bloomingdale's in Queens, New York City, and talks about turning department stores into discount emporia. "The big box," declares Mr Antonini, "is what K mart is about today."

A few feet behind the chairman – sometimes tagged "the Lee Iaccoca of retailing" because of his willingness to promote the company personally – is a large poster. "$50bn by 1995; $100bn by 2000", it reads, a declaration of group sales targets.

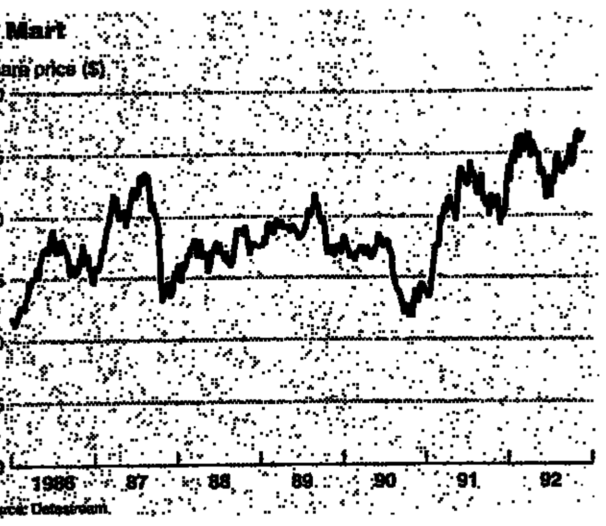
In recent years, K mart, though still the number two US retailer in terms of sales, has played second fiddle to Wal-Mart Stores. The Arkansas-based discount chain operator has overtaken K mart in turnover terms. More significantly, Wal-Mart's low cost base and extraordinary sales momentum have prompted a major shift in US retailing.

K mart may have been overshadowed by its rival, but the Michigan company is fighting to regain some initiative. For example, the "big box", which Mr Antonini stresses, unashamedly matches the direction which Wal-Mart has been taking, and both are experimenting with large "combo" stores, where food items sit alongside general merchandise.

The clearly-posted sales targets are also aimed at keeping K mart in the Wal-Mart league. Analysts suggest the Arkansas group could see sales of $100bn by 1995, after having recorded $44bn in 1991, although executives are more cautious. K mart's turnover last year was $35bn.

Even the opening of K mart's first New York City store – a 132,000sq ft refurbishment,

Antonini: 'The big box is what K mart is about'



carved out of the former Bloomingdale's outlet – smacks of an attempt to steal a march on its competitor.

Wal-Mart has yet to venture into New York City, traditionally viewed as a high-cost "union" town, or even into the heavily-populated tri-state region. K mart, by contrast, is not only opening the Queens store, but makes clear others will follow. "We hope to open several more [stores] within the five boroughs during the next few years," Mr Antonini says.

But analysts are divided over whether all this marks a K mart renaissance. The company's problems have been evident since the mid-1980s. Having grown rapidly in the 1970s, K mart found itself with a large number of smaller stores, a dowdy image, and decelerating sales growth.

A trend towards "niche" retailing was underway in the US, and K mart focused on acquiring specialist chains, such as Pay Less Drugs in 1985 and Waldenbooks in 1984. Internal efficiencies of the core discount chain operation seem to have been overlooked. In 1985, the year before Mr Antonini took over as chief operating officer, net profits fell 6 per cent to $471m.

Since then, there has been a stream of initiatives designed to help K mart regain its edge. As Mr Antonini sees it, the strategy has three elements.

First, K mart is engaged in a major overhaul of the 2,400 discount store outlets, with improvements ranging from a widening of aisles to the addition of gardening and pharmacy centres.

This programme – costing around $3bn – was announced in 1990. By the end of this year, about half the chain should be operating under the new format. The programme should be completed by 1995.

More recently, however, the future of the discount store division has been bound up with the "combo" store developments. Initially, K mart developed these emporia – at around 140,000 to 160,000 sq ft, twice the size of a typical K mart – in conjunction with a joint-venture partner, under the "American Fare" fascia. But recently, it has stepped out on its own, converting two of the three American Fare stores to "Super K marts" and adding two more "combo" stores in Ohio. The remaining American Fare outlet in Atlanta is due to convert by the year-end.

Mr Antonini talks of adding another 15 combo-stores in 1993 and, if all goes well, a stepped-up rate thereafter. The ultimate potential, he says, is for 400-500 of these outlets within the group.

K mart's second leg – the specialty store division – is a mixed bag, ranging from the Pace warehouse clubs to OfficeMax, a chain of superstores specialising in office equipment, furniture and computers. Mr Antonini sees potential for strong sales growth in this division, and forecast 1992 sales of $11bn could rise to $25bn by 1996.

Finally, K mart is looking overseas – a strategy which differentiates it from its US competitors apart from, perhaps, Wal-Mart – and made its first move by purchasing a dozen retail outlets in Czechoslovakia earlier this year.

So what does the new strategy add up to? Some of the recent moves cannot be judged at this early stage. A more fundamental question is whether refurbishing K mart outlets is paying off.

So far this year, K mart's same-store sales growth in the general merchandise division has been uninspiring, running at 2.1 per cent (for US stores) in the 39 weeks to end-October. K mart claims an incremental 3-4 per cent increase in sales from refurbished stores, but stresses this is an average.

One problem is that the cost base remains substantially higher than at Wal-Mart. For example, operating, selling, general and administrative (SG&A) expenses accounted for 15.2 per cent of Wal-Mart sales in the 12 months to end-January; at K mart, the figure was 21.2 per cent. Again, these ratios are "group-wide" and to some extent reflect the two groups' different type of stores. Growth of the low-cost Pace warehouse club chain may help reduce K mart's SG&A over time.

Earnings growth, meanwhile, has been patchy as restructuring charges and the general reshaping of the group has taken a toll.

In the year to end-January 1992, earnings per share stood at $2.02, only marginally above 1988's $2. Supporters argue that the best is to come – and earnings predictions for the current 12 months range around the $2.15 mark. But everything, it seems, has yet to be proved.

Moulinex

KRUPS

GROUPE
MOULINEX

EXTRAORDINARY GENERAL MEETING

The Board of Directors of Moulinex S.A. has decided to convene the shareholders to an Extraordinary General Meeting in December to submit a proposed modification of article 38 of the statutes concerning the financial year.

By changing the beginning of the financial year to 1st April, the Group's sales, which are of a highly seasonal nature, will be spread more evenly.

If this proposal were to be approved, the current financial year would be extended to 31st March, 1993. In order to provide full information and allow annual and half-year comparisons with the previous year, the Group will publish annual consolidated accounts as at 31st, December 1992, for a twelve and fifteen month period as at 31st March, 1993 and for six months as at 30th September, 1993.

At the end of October 1992, the consolidated turnover amounted to 6,486 million French francs, a slight drop from the 1991 level. Not taking into account the adverse incidence of exchange rates, it has increased by 1%.

October has confirmed the trend observed over the past months : a very slight increase in activity in the Group's markets. Added to this is the adverse effect of parity fluctuations recently encountered within the European Monetary System.

Avon outlines restructuring

By Karen Zagor in New York

AVON Products, one of the world's biggest manufacturers of cosmetics and toiletries, yesterday said it was restructuring its marketing and product management operations and creating an office of the chairman.

Costs associated with the realignment, which will be completed early next year, were included in a $64.4m charge taken in April.

Avon will phase out its three international region headquarters, creating nine streamlined units covering sales, marketing and distribution operations around the world.

These new units will report directly to the office of the chairman, which will set growth initiatives, integrate global strategies and allocate resources to Avon's businesses around the world.

Pacific Dunlop chief optimistic

PACIFIC Dunlop, the diversified Australian industrial company, yesterday reported first-quarter sales and profits well ahead of last year's and forecast improved earnings for the current 12 months, Reuter reports from Melbourne. Mr John Gough, chairman, told the company's annual meeting the group would do better than others in tough conditions. Pacific Dunlop does not publish quarterly figures, but in the year to June reported net profits of A$215.80m (US$149.86m) down from A$337.50m a year earlier.

Record take-up for GM card

By Martin Dickson in New York

A CREDIT card launched by General Motors in September has won more than 2m accounts and accumulated more than $500m in balances in less than 60 days, making it the most successful US credit card introduction ever.

The card is a general-purpose MasterCard, with no annual fee, which allows holders to save up to $3,500 or more on the purchase of a new GM vehicle.

The build-up in accounts has been even faster than that of American Telephone & Telegraph's Universal card, which had one million accounts 78 days after its launch in 1990 and is now the fifth-largest credit card in the nation, ranked by accounts.

GM said it reached the 1m milestone after just 28 days.

Mr Kurt Peters, publisher of Credit Card News, a Chicago-based newsletter, said the GM achievement was "quite remarkable".

The card would already rank as the 20th largest in the US, by number of accounts, if placed in the 1991 rankings compiled by the newsletter.

Credit cards, offering fat profit margins because of the high interest they charge on rolled-over debt, have become an area of increasingly intense competition between traditional US bank issuers and new entrants such as GM and AT&T, luring consumers with rebates on goods and services.

Mr Peters said GM had not introduced a new element to the battle but had intensified the existing competition. "This turns up the heat on the whole industry," he added.

GM's main purpose in launching the card has been to secure customer loyalty for its vehicles and sell more of them.

The group has seen its car market share plunge from some 46 per cent at the start of the 1980s to around 35 per cent now.

However, the credit card business is also meant to operate profitably once launch costs are out of the way.

The card's success stems in part from GM's immense marketing muscle as America's leading vendor of vehicles. It opened the campaign with a network television advertising campaign and direct mailings to more than 30m homes.

It has been encouraging consumers to abandon their existing credit cards by moving debt from those accounts to the GM card to earn more vehicle rebate money.

The company said some 10 per cent of the 2m accounts had involved this balance consolidation feature, with an average transfer of some $2,000.

Mr Peters noted that leading bank credit card issuers had been saying they were not losing a lot of customers to GM, which suggested that the company's account holders were simply carrying additional cards in their wallets.

However, Mr Ronald Zebeck, managing director of GM's credit card operations, said consumers were using the GM card 12 times a month, compared with an industry average of 3.5 times monthly, and the average purchase was $112, compared to an industry average of $58.

Capital adequacy plan under fire in Germany

By David Waller in Bonn

GERMAN banks will suffer serious competitive disadvantages at home and abroad if the government goes ahead with plans to introduce tough new capital adequacy requirements, according to the chairman of the Bundesverband deutscher Banken, the influential Federal Association of German Banks.

Mr Eberhard Martini, chief executive of the Bayerische Hypotheken-und Wechsel Bank, yesterday criticised the Bundesbank and the Berlin-based supervisory authorities for pushing the government into promoting measures which he claimed would damage banks' commercial interests and curb their ability to lend, especially to finance eastern German reconstruction.

The government is committed to introducing legislation to implement two European Committee capital adequacy directives by the beginning of next year. The finance committee of the Bundestag, the lower house of the German parliament, met last week and is meeting again next week to debate how the law should be implemented in detail.

At issue is the treatment of the banks' hidden reserves, which consist of extensive portfolios of property and securities, and participation in industrial companies. The EC directives envisaged allowing these reserves to count fully towards Tier 2 capital, but the draft law being debated by the finance committee imposes stiff restrictions on their use.

Under the draft law, German banks would have to have Tier 1capital (equity and retained earnings) of 5 per cent before being able to count reserves towards the total 8 per cent capital requirement. Even then, the reserves would be limited to the book value of the investment and would only be able to count for 1 per cent of capital. The banks want the directives to be adopted without change: this envisages a requirement of 4 per cent Tier 1 capital and 4 per cent Tier 2.

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Notice is hereby given, that the rate of interest from November 17, 1992 through and including May 16, 1993 is 4.31% per annum. Interest payable on May 17, 1993 will amount to ¥21,373 per ¥1,000,000 principal amount.

By: The Chase Manhattan Bank, N.A.
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November 17, 1992
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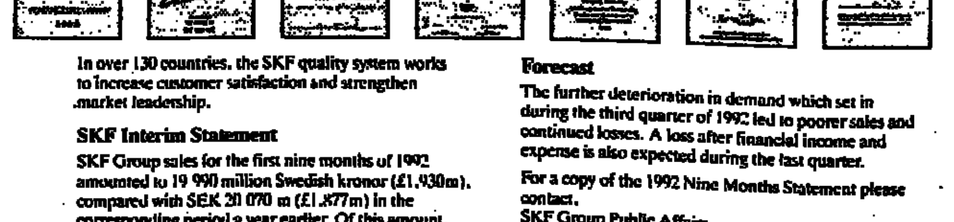
30 SKF factories so far assessed by Ford have all been granted the prestigious Ford Q1 Preferred Quality Award. The plants are judged not only on production and performance, but also on an awareness of high quality in all areas. Awards have also been received from Nissan Mexico, Chrysler, GM, Rolls Royce, Audi, Black & Decker, VW and many others.

(£-39m). The Group posted income of SEK 85 m (£8m) for the first nine months of 1991.

In the third quarter, sales of the Group's products were weaker than anticipated, with this deterioration wholly in the European market. Sales to the automotive industry, which had shown a positive trend for more than a year, decreased, and a decline set in.

Sales in the North American market continued to point cautiously upward.

To counter the continuing weak demand in Europe the Group continues to intensify its efforts to reduce costs.



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SKF Interim Statement

SKF Group sales for the first nine months of 1992 amounted to 19 990 million Swedish kronor (£1,930m), compared with SEK 20 070 m (£1,877m) in the corresponding period a year earlier. Of this amount, external sales by the Ovako steel division accounted for SEK 1 743 m (£168m). Ovako was reported as an associated company in 1991. After financial income and expense, the Group reported a loss of SEK -361 m, (£-35m) of which Ovako accounted for SEK -407 m

Forecast

The further deterioration in demand which set in during the third quarter of 1992 led to poorer sales and continued losses. A loss after financial income and expense is also expected during the last quarter.

For a copy of the 1992 Nine Months Statement please contact,
SKF Group Public Affairs,
S415-50 Göteborg, Sweden.
Tel +46-31-371000

Average rate of exchange January - September 1992. 1 GBP = 10.36 SEK. Average rate of exchange January - September 1991. 1 GBP = 10.69 SEK.

AB SKF

SKF

INTERNATIONAL COMPANIES AND FINANCE

AT&T leads way with $28m Polish plant investment

By Christopher Bobinski in Warsaw

AT&T, the US telecommunications company, has taken a big step in the Polish market with the purchase of 80 per cent of the country's Telfa telephone equipment plant in Bydgoszcz.

The US group will pay $28m for its stake.

The purchase is the first by a western investor in Poland's telecommunications sector, with AT&T promising to invest $45m in the loss-making plant as well as increase its capital by a further $7.2m.

Poland has an ambitious telecommunications development programme, funded in part by the World Bank, which is aimed at tripling the country's 3m lines by the end of the century.

The market is being fiercely contested by western equipment suppliers, such as Northern Telecom of Canada, Alcatel of France, Siemens of Germany and Ericsson of Sweden which bid unsuccessfully against AT&T for the Telfa plant.

The Poles have decreed that 50 per cent of the value of the telecommunications equipment installed in the country should be sourced domestically. Yesterday Mr Janusz Lewandowski, the privatisation minister, said the home market was large enough for only three main suppliers.

Each of AT&T's western rivals have small joint ventures in Poland with telecommunications plants.

AT&T has already installed an international telephone exchange in Warsaw as well as its switching equipment, which will now be produced at the Telfa works, in Szczecin, Wloclawek, Siedlce and Plock.

● Schieder Möbel, a German furniture producer, has paid DM3.8m ($2.4m) for a 30 per cent share of Poland's Bydgoszcz Furniture Factory. The German company has promised to invest DM21.6m in the plant.

Power Corp surges 30% on rise from subsidiaries

By Robert Gibbens in Montreal

POWER CORP of Canada, the senior holding company of Mr Paul Desmarais, the Montreal financier, unveiled a 30 per cent increase in nine-month net profits.

The group lifted earnings to C$135m (US$107m), or C$1.03 a share, up from C$104m, or 77 cents a share, a year earlier on revenues which edged ahead to C$4.5bn from C$4.47bn.

The subsidiaries, mainly in financial services and communications, contributed C$74.4m, against C$70m.

Third-quarter net profits advanced 12 per cent to C$32.3m, or 24 cents a share, on revenues marginally ahead at C$1.47bn.

The results for both periods show that on an operating basis the subsidiaries improved their performance.

At September 30, Power Corp and 70 per cent-owned Power Financial had C$750m cash and the group was virtually debt-free.

Its biggest subsidiaries are the publicly held Great West Lifeco, one of North America's main life insurance companies, and Investors Group, a financial services retailer.

Mr Desmarais, in a joint venture with the Frère family of Belgium, owns 57 per cent of Paresa, the European holding company controlling Petrofina and a string of investments in Europe's industrial, financial services and communications sectors.

● Hydro-Quebec, the electric power utility fully owned by the Quebec government, suffered a 13.5 per cent decline in profits to C$343m in the first nine months.

Telebras turns in profits of $447m

By Bill Hinchberger in Sao Paolo

TELEBRAS, Brazil's state-owned telecommunications holding company, turned in profits of $447m for the first nine months of this year.

The results partly reflect attempts to recover a drop in real rates suffered between March 1990 and September 1991. During the first six months of the year, average real rates were 5.3 per cent higher than in 1991. In 1991, the company posted a year-end profit of $106m.

By August, however, real rates were still about half of their level in March 1990, when Mr Fernando Collor de Mello, the president now suspended to face impeachment charges, was inaugurated.

There are indications from acting president Mr Itamar Franco that rate increases may not continue to outpace inflation.

This, along with uncertainty over Mr Franco's attitude towards privatisation of the company, appear to be responsible for the fall in Telebras shares of American Depository Receipts (ADRs) in the over-the-counter market. Last Friday, a lot of 1,000 shares closed at $12 - 31.4 per cent lower than the opening price of $17.50 on October 23.

On paper, nothing has changed with respect to the sale of Telebras and its 28 operating companies. Privatisation can only take place after an amendment to the 1988 constitution, which reverses a monopoly in telecommunications for the state. The difference is Mr Collor was expected to push hard for privatisation, while Mr Franco has not displayed a similar commitment.

Many members of Congress remain sympathetic to the idea of selling Telebras. "The predominant spirit in Congress is that it will be necessary," said Mr Renato Johnsson, a pro-privatisation federal deputy. "Otherwise there won't be funds available for investment."

Another uncertainty is the name of the new company president. Earlier this month, Mr Luiz Felipe Denucci Martins took over as acting president for Mr Jose Ignacio Ferreira. Mr Franco is expected to name the new company head by the end of the month.

Struggling Bank Summa faces deadline

By William Keeling in Jakarta

BANK Summa, suspended from clearing operations last Friday with bad debts exceeding Rp1,000bn ($313m), had no immediate prospect of resuming normal activity, according to Dr Adrianus Mooy, governor of Bank Indonesia (BI), the central bank.

In an interview, Dr Mooy accepted that others among Indonesia's 215 banks faced problems of bad debt and poor management, although not on the scale of Bank Summa. The sector's bad and doubtful debts, excluding Bank Summa, amount to about Rp7,400bn or 6.3 per cent of the sector's loans, according to BI officials.

"It's very important for the banks to look ahead and see whether they can still survive . . . If they can survive but only for a short period, they should start thinking about the way out. One of the ways, of course, is merging," he said.

"Very soon all these banks will be screened . . . through the application of prudential regulations," Dr Mooy added. Banks have been told to increase their capital to 7 per cent of risk-weighted assets, up from 5 per cent, by next March.

He said that Bank Summa, the country's 10th largest private bank and owned by the Soeryadjaya family, had failed to keep to a plan agreed with BI for the injection of new capital.

The first of three instalments, scheduled in three-month intervals beginning last September, had not been made. When suspended, Bank Summa also owed Rp66bn to BI and Rp15bn in inter-bank lending.

"They have to come up with a big bank solution, not only to solve the deficit they hold with us, but also to meet the action plan. This has to be done very soon, because if not I see no life in Bank Summa," Dr Mooy warned.

He said 17 private banks were negotiating to raise more than Rp150bn, in order to take over Bank Summa's small-scale depositors with performing loans. This would save depositors but make Bank Summa's restructuring even more difficult, he noted, adding that over half the bank's bad debt is owed by private companies in which the Soeryadjayas hold an interest.

Dr Mooy said unless Bank Summa received new money quickly, its problems would become "even more impossible". The alternative, he added, was for BI "to ask the bank officially to discontinue operations".

Mr William Soeryadjaya, who heads Bank Summa, was meeting BI officials late yesterday and has already taken steps to raise new finance.

Last Friday 40m shares in Astra International, which dominates Indonesia's automotive sector and in which the Soeryadjayas held a 76 per cent stake, were sold for Rp400bn.

BI officials say the shares were pledged to state-owned Bank Dagang Negara, against loans to the Soeryadjayas. Astra said yesterday it was unaware who had bought the shares, equivalent to 16.5 per cent of the company's capital.

Bankers say, however, the Soeryadjayas recently informed banks they planned to divest 60m shares in three equal blocks to Toyota of Japan, Danareksa, an Indonesian state-owned mutual trust, and to one of four charitable foundations chaired by President Suharto.

Canadian mining groups in cash call

By Bernard Simon in Toronto

TWO SMALL Canadian exploration companies have taken advantage of international excitement over a hunt for diamonds in the Northwest Territories by raising new equity from European investors.

Aber Resources of Toronto and Vancouver-based Lytton Minerals said yesterday they have raised a total of C$9.7m (US$7.6m). Both deals were channelled through First Marathon Securities of Toronto, which is understood to have sold the bulk of the shares to British and French institutions.

The diamond rush is one of the most frenzied in North American mining history, with companies staking claims over several thousand square miles around the Lac de Gras area, some 400m north-east of Yellowknife.

A small quantity of diamonds has been found. Aber and its partners last week announced the discovery of "micro-diamonds" in two of seven samples from one drillhole.

But analysts have cautioned that evaluation of the area remains in the early stages.

International investors appear to be attracted by the involvement of some of the world's biggest mining companies in the search.

Kennecott, the North American subsidiary of the UK's RTZ, has a right to earn 60 per cent of Aber's interest.

CSFB to organise Russian sell-off

By Anthony Robinson

CREDIT Suisse First Boston has been appointed by RKI, the Russian privatisation agency, and the European Bank for Reconstruction and Development to organise Russia's first privatisation of companies through voucher privatisation auctions.

The auction programme is being announced before next month's key session of the Congress of Peoples Deputies.

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FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, November 16, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	65.3175	41.0973	52.3056
Albania	(Lek)	167.26	110.076	69.2587	88.1475
Algeria	(Dinar)	33.3598	21.9544	13.8135	17.5809
Andorra	(Fr Fr)	8.1450	5.3603	3.3726	4.2924
	(Sp Peseta)	172.85	113.755	71.5734	91.0935
Angola	(Kwanza)	882.53	580.803	365.437	465.101
Antigua	(E Carr $)	4.11	2.7048	1.7018	2.166
Argentina	(Peso)	1.527	1.0049	0.6322	0.8047
Aruba	(Florin)	2.7217	1.7911	1.1269	1.4343
Australia	(Aus $)	2.2125	1.456	0.9161	1.166
Austria	(Schilling)	16.985	11.178	7.0331	8.9512
Azores	(Port Escudo)	214.00	140.836	88.6128	112.78
Bahamas	(Bahama $)	1.5195	1	0.6291	0.8007
Bahrain	(Dinar)	0.5816	0.3827	0.2408	0.3065
Balearic Is	(Sp Peseta)	172.85	113.755	71.5734	91.0935
Bangladesh	(Taka)	60.6280	39.8999	25.1047	31.9515
Barbados	(Barb $)	3.0582	2.0126	1.2663	1.6116
Belgium	(Belg Fr)	49.70	32.7081	20.5797	26.1923
Belize	(B $)	3.0410	2.0013	1.2592	1.6026
Benin	(CFA Fr)	407.25	268.016	168.634	214.625
Bermuda	(Bermudian $)	1.5195	1	0.6291	0.8007
Bhutan	(Ngultrum)	43.10	28.3645	17.8467	22.714
Bolivia	(Boliviano)	6.1504	4.0476	2.5467	3.2413
Botswana	(Pula)	3.3641	2.2139	1.393	1.7729
Brazil	(Cruzeiro)	13539.75	8910.66	5606.52	7135.57
Brunei	(Brunei $)	2.4960	1.6426	1.0335	1.3154
Bulgaria	(Lev)	43.00	28.2987	17.8053	22.6613
Burkina Faso	(CFA Fr)	407.25	268.016	168.634	214.625
Burma	(Kyat)	11.3075	7.4415	4.6821	5.9591
Burundi	(Burundi Fr)	349.11	229.753	144.559	183.984
Cambodia	(Riel)	3041.0	2001.32	1259.21	1602.64
Cameroon	(CFA Fr)	407.25	268.016	168.634	214.625
Canada	(Canadian $)	1.9280	1.2688	0.7983	1.016
Canary Is	(Sp Peseta)	172.85	113.755	71.5734	91.0935
Cp. Verde	(CV Escudo)	95.23	62.6719	39.4327	50.187
Cayman Is	(CI $)	1.2924	0.8505	0.5351	0.6811
Cent.Afr. Rep	(CFA Fr)	407.25	268.016	168.634	214.625
Chad	(CFA Fr)	407.25	268.016	168.634	214.625
Chile	(Chilean Peso)	572.61	376.841	237.106	301.771
China	(Renminbi Yuan)	8.6428	5.6879	3.5787	4.5548
Colombia	(Col Peso)	950.38	625.456	393.532	500.859
CIS ‡	(Rouble)	0.8719o	0.5738	0.361	0.4594
		639.60m	420.928	264.845	337.075
Comoros	(CFA Fr)	407.25	268.016	168.634	214.625
Congo (Brazz)	(CFA Fr)	407.25	268.016	168.634	214.625
Costa Rica	(Colon)	208.23	137.038	86.2236	109.739
Côte d'Ivoire	(CFA Fr)	407.25	268.016	168.634	214.625
Croatia	(Dinar)	800.55	526.851	331.491	421.897
Cuba	(Cuban Peso)	1.1525	0.7584	0.4772	0.6073
Cyprus	(Cyprus £)	0.7118	0.4684	0.2947	0.3751
Czechoslovakia	(Koruna)	43.513c	28.6363	18.0178	22.9317
		41.68t	27.43	17.2587	21.9657
Denmark	(Danish Kroner)	9.2550	6.0908	3.8322	4.8774
Djibouti Rep	(Djib Fr)	266.0	175.058	110.145	140.184
Dominica	(E Carrib $)	4.11	2.7048	1.7018	2.166
Dominican Rep	(D Peso)	19.264	12.6778	7.9768	10.1523
Ecuador	(Sucre)	2959.32o	1947.56	1225.39	1559.59
		3043.0a	2002.63	1260.04	1603.69
Egypt	(Egyptian £)	5.020	3.3037	2.0786	2.6455
El Salvador	(Colon)	13.5261	8.9016	5.6008	7.1283
Equat'l Guinea	(CFA Fr)	407.25	268.016	168.634	214.625
Estonia	(Kroon)	19.2720	12.6831	7.9801	10.1565
Ethiopia	(Ethiopian Birr)	7.5290	4.9549	3.1175	3.9678
Falkland Is	(Falk £)	1.00	0.6581	0.414	0.527
Faroe Is	(Danish Kroner)	9.2550	6.0908	3.8322	4.8774
Fiji Is	(Fiji $)	2.3805	1.5666	0.9857	1.2545
Finland	(Markka)	7.6870	5.0589	3.183	4.0511
France	(Fr)	8.1450	5.3603	3.3726	4.2924
Fr Cty/Africa	(CFA Fr)	407.25	268.016	168.634	214.625
Fr. Guiana	(Local Fr)	8.1450	5.3603	3.3726	4.2924
Fr. Pacific Is	(CFP Fr)	145.00	95.4261	60.0414	76.4163
Gabon	(CFA Fr)	407.25	268.016	168.634	214.625

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	12.9243	8.5056	5.3516	6.8112
Germany	(D-Mark)	2.4150	1.5893	1	1.2727
Ghana	(Cedi)	756.73	498.013	313.346	398.804
Gibraltar	(Gib £)	1.00	0.6581	0.414	0.527
Greece	(Drachma)	313.175	206.104	129.679	165.046
Greenland	(Danish Krone)	9.2550	6.0908	3.8322	4.8774
Grenada	(E Carr $)	4.11	2.7048	1.7018	2.166
Guadaloupe	(Local Fr)	8.1450	5.3603	3.3726	4.2924
Guam	(US $)	1.5195	1	0.6291	0.8007
Guatemala	(Quetzal)	8.0335	5.2869	3.3265	4.2337
Guinea	(Fr)	1235.08	812.82	511.42	650.899
Guinea-Bissau	(Peso)	7602.50	5003.29	3148.03	4006.59
Guyana	(Guyanese $)	190.81	125.574	79.0103	100.559
Haiti	(Gourde)	16.0413	10.5569	6.6423	8.4539
Honduras	(Lempira)	9.0075	5.9278	3.7297	4.7469
Hong Kong	(HK $)	11.7925	7.7607	4.883	6.2147
Hungary	(Forint)	126.32	83.1326	52.3064	66.5718
Iceland	(Icelandic Krona)	89.8595	59.1375	37.2089	47.3567
India	(Indian Rupee)	43.10	28.3645	17.8467	22.714
Indonesia	(Rupiah)	3181.45	2093.75	1317.37	1676.65
Iran	(Rial)	2230.0v	1467.59	923.395	1175.23
		100.50o	66.1401	41.6149	52.9644
Iraq	(Iraqi Dinar)	0.5936	0.3906	0.2457	0.3128
Irish Rep	(Punt)	0.9100	0.5988	0.3768	0.4795
Israel	(Shekel)	3.9963	2.63	1.6547	2.106
Italy	(Lira)	2060.50	1356.04	853.209	1085.9
Jamaica	(Jamaican $)	35.884	23.6156	14.8587	18.9111
Japan	(Yen)	189.75	124.877	78.5714	100
Jordan	(Jordanian Dinar)	1.0404	0.6846	0.4308	0.5483
Kenya	(Kenya Shilling)	54.05	35.5709	22.3809	28.4848
Kiribati	(Australian $)	2.2125	1.456	0.9161	1.166
Korea North	(Won)	3.2691	2.1514	1.3536	1.7228
Korea South	(Won)	1208.83	795.545	500.551	637.065
Kuwait	(Kuwaiti Dinar)	0.4555	0.2997	0.1886	0.24
Laos	(New Kip)	1087.15	715.466	450.166	572.938
Lebanon	(Lebanese £)	2942.9	1936.76	1218.59	1550.94
Lesotho	(Maluti)	4.5675	3.0059	1.8913	2.4071
Liberia	(Liberian $)	1.5195	1	0.6291	0.8007
Libya	(Libyan Dinar)	0.4347	0.286	0.18	0.229
Liechtenstein	(Swiss Fr)	2.1850	1.4379	0.9047	1.1515
Luxembourg	(Lux Fr)	49.70	32.7081	20.5797	26.1923
Macao	(Pataca)	12.1420	7.9907	5.0277	6.3989
Madagascar	(MG Fr)	2780.0	1829.55	1151.14	1465.09
Madeira	(Port Escudo)	214.00	140.836	88.6128	112.78
Malawi	(Kwacha)	6.4697	4.2577	2.6789	3.4095
Malaysia	(Ringgit)	3.8460	2.531	1.5925	2.0268
Maldive Is	(Rufiya)	17.5086	11.5226	7.2499	9.2271
Mali Rep	(CFA Fr)	407.25	268.016	168.634	214.625
Malta	(Maltese £)	0.5020	0.3303	0.2078	0.2645
Martinique	(Local Fr)	8.1450	5.3603	3.3726	4.2924
Mauritania	(Ouguiya)	159.65	105.067	66.1076	84.137
Mauritius	(Maur Rupee)	23.2180	15.28	9.614	12.2361
Mexico	(Mexican Peso)	4750.35	3126.26	1967.02	2503.48
Miquelon	(Local Fr)	8.1450	5.3603	3.3726	4.2924
Monaco	(French Fr)	8.1450	5.3603	3.3726	4.2924
Mongolia	(Tugrik)	60.82	40.0263	25.1842	32.0527
Montserrat	(E Carr $)	4.11	2.7048	1.7018	2.166
Morocco	(Dirham)	12.6378	8.317	5.233	6.6602
Mozambique	(Metical)	4175.67	2748.06	1729.06	2200.62
Namibia	(S A Rand)	4.5675	3.0059	1.8913	2.4071
Nauru Is	(Australian $)	2.2125	1.456	0.9161	1.166
Nepal	(Nepalese Rupee)	70.9009	46.6606	29.3585	37.3654
Netherlands	(Guilder)	2.7175	1.7884	1.1252	1.4321
N'nd Antilles	(A/Guilder)	2.7217	1.7911	1.1269	1.4343
New Zealand	(NZ $)	2.9295	1.9279	1.213	1.5438
Nicaragua	(Gold Cordoba)	8.4236	5.5436	3.488	4.4393
Niger Rep	(CFA Fr)	407.25	268.016	168.634	214.625
Nigeria	(Naira)	29.6498	19.5128	12.2773	15.6257
Norway	(Nor. Krone)	9.8225	6.4642	4.0672	5.1765
Oman	(Rial Omani)	0.5939	0.3908	0.2459	0.3129

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	38.614	25.4123	15.9892	20.3499
Panama	(Balboa)	1.5195	1	0.6291	0.8007
Papua New Guinea	(Kina)	1.50	0.9871	0.6211	0.7905
Paraguay	(Guarani)	2365.93	1557.05	979.681	1246.87
Peru	(New Sol)	2.48	1.6321	1.0269	1.3069
Philippines	(Peso)	36.75	24.1855	15.2173	19.3675
Pitcairn Is	(£ Sterling)	1.00	0.6581	0.414	0.527
	(NZ $)	2.9295	1.9279	1.213	1.5438
Poland	(Zloty)	23357.0	15371.5	9671.64	12309.4
Portugal	(Escudo)	214.00	140.836	88.6128	112.78
Puerto Rico	(US $)	1.5195	1	0.6291	0.8007
Qatar	(Riyal)	5.6147	3.695	2.3249	2.9589
Reunion Is de la	(F/Fr)	8.1450	5.3603	3.3726	4.2924
Romania	(Leu)	664.54	437.341	275.172	350.219
Rwanda	(Fr)	224.38	147.667	92.9109	118.25
St Christopher	(E Carr $)	4.11	2.7048	1.7018	2.166
St Helena	(£)	1.00	0.6581	0.414	0.527
St Lucia	(E Carr $)	4.11	2.7048	1.7018	2.166
St Pierre	(French Fr)	8.1450	5.3603	3.3726	4.2924
St Vincent	(E Carr $)	4.11	2.7048	1.7018	2.166
San Marino	(Italian Lira)	2060.50	1356.04	853.209	1085.9
San Tome	(Dobra)	364.92	240.158	151.106	192.316
Saudi Arabia	(Riyal)	5.7845	3.8068	2.3952	3.0484
Senegal	(CFA Fr)	407.25	268.016	168.634	214.625
Seychelles	(Rupee)	7.8995	5.1987	3.271	4.1631
Sierra Leone	(Leone)	760.25	500.329	314.803	400.659
Singapore	($)	2.4960	1.6426	1.0335	1.3154
Slovenia	(Tolar)	147.67	97.1832	61.1469	77.8234
Solomon Is	($)	4.5740	3.0102	1.8939	2.4105
Somali Rep	(Shilling)	3983.71	2621.72	1649.57	2099.45
South Africa	(Rand)	4.5675c	3.0059	1.8913	2.4071
		7.1368g	4.6968	2.9551	3.7611
Spain	(Peseta)	172.85	113.755	71.5734	91.0935
Spanish Ports in N Africa	(Sp Peseta)	172.85	113.755	71.5734	91.0935
Sri Lanka	(Rupee)	67.442	44.3843	27.9262	35.5425
Sudan Rep	(Dinar)	15.305	10.0723	6.3374	8.0658
Surinam	(Guilder)	2.7141	1.7861	1.1238	1.4303
Swaziland	(Lilangeni)	4.5675	3.0059	1.8913	2.4071
Sweden	(Krona)	9.0950	5.9855	3.766	4.7931
Switzerland	(Fr)	2.1850	1.4379	0.9047	1.1515
Syria	(£)	31.93	21.0134	13.2215	16.8274
Taiwan	($)	38.75	25.5018	16.0455	20.4216
Tanzania	(Shilling)	486.56	320.211	201.474	256.422
Thailand	(Baht)	38.67	25.4491	16.0124	20.3794
Togo Rep	(CFA Fr)	407.25	268.016	168.634	214.625
Tonga Is	(Pa Anga)	2.2125	1.456	0.9161	1.166
Trinidad/Tobago	($)	6.9183	4.553	2.8647	3.646
Tunisia	(Dinar)	1.3913	0.9156	0.5761	0.7332
Turkey	(Lira)	12355.55	8131.33	5116.17	6511.49
Turks & Caicos	(US $)	1.5195	1	0.6291	0.8007
Tuvalu	(Australian $)	2.2125	1.456	0.9161	1.166
Uganda	(New Shilling)	1803.99	1187.23	746.994	950.719
U A E	(Dirham)	5.6650	3.7282	2.3457	2.9855
United Kingdom	(£)	1.00	0.6581	0.414	0.527
United States	(US $)	1.5195	1	0.6291	0.8007
Uruguay	(Peso)	5127.45	3374.43	2123.17	2702.21
Vanuatu	(Vatu)	180.49	118.782	74.737	95.1198
Vatican	(Lira)	2060.50	1356.04	853.209	1085.9
Venezuela	(Bolivar)	117.56	77.3675	48.679	61.9552
Vietnam	(Dong)	16444.31	10822.2	6809.24	8666.3
Virgin Is-British	(US $)	1.5195	1	0.6291	0.8007
Virgin Is-US	(US $)	1.5195	1	0.6291	0.8007
Western Samoa	(Tala)	3.7331	2.4567	1.5457	1.9673
Yemen (Rep of)	(Rial)	23.5678	15.5102	9.7589	12.4204
Yemen (Rep of)	(Dinar)	0.6918	0.4552	0.2864	0.3645
Yugoslavia	(New Dinar)	304.10	200.132	125.921	160.264
Zaire Rep	(Zaire)	2484000	1634748	1028571	1309091
Zambia	(Kwacha)	345.91	227.647	143.234	182.298
Zimbabwe	($)	8.1233	5.346	3.3636	4.281

Special Drawing Rights November 13, 1992 United Kingdom £0.904183 United States $1.39407 Germany D Mark 2.18855 Japan Yen172.544
European Currency Unit Rates November 16, 1992 United Kingdom £0.814636 United States $1.24151 Germany D Mark 1.96903 Japan Yen154.443

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; ‡ CIS applies to states in this Department, London Trading Centre. Enquiries: 071 634 4360/5. Monday November 16,1992

Tabasa

Túnels i Accessos de Barcelona Societat Anònima Concessionària

MULTICURRENCY TERM LOAN FACILITY

Ptas. 2,100,000,000
ECU 6,950,000

Co-arrangers and Underwriters

BANCO SABADELL, London Branch

THE CHASE MANHATTAN BANK, NA. Sucursal en España

Managers

BANCO CENTRAL HISPANOAMERICANO, S.A.

CREDIT SUISSE (LUXEMBOURG) S.A.

Participants

BANCA CATALANA
CREDIT SUISSE, Sucursal en España
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CAJA DE AHORROS Y MONTE DE PIEDAD DEL CIRCULO CATOLICO DE OBREROS DE BURGOS

Agent

Banc Sabadell
London Branch

OCTOBER 1992

Notice of Interest Rate

To the Holders of

The United Mexican States
Collateralized Floating Rate Bonds Due 2019

NOTICE IS HEREBY GIVEN that the interest rates covering the interest period from November 16, 1992 to May 17, 1993 are detailed below:

Series Designation	Rate	Interest Amount	Interest Payment Date
USD Discount Series C	4.57813 Pct. P.A.	USD 23.14 Per USD $1,000	May 17, 1993
CAN Discount Series	7.52083 Pct. P.A.	CAN 38.02 Per CAN 1,000	May 17, 1993

November 16, 1992

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INTERNATIONAL CAPITAL MARKETS

Finland dominates sector with $2bn, five-year issue

By Brian Bollen

THE Republic of Finland again dominated the international bond markets yesterday, with the confirmation of the main terms of its much awaited global US dollar issue.

At $2bn, this first global sovereign issue was much bigger than expected and should be the republic's last big foreign currency borrowing for this year.

INTERNATIONAL BONDS

Pricing of the five-year paper will take place this afternoon at a spread of 82 to 84 basis points over comparable US Treasuries, compared with the 75 to 80 tipped by bankers outside the deal last week.

The spreads reflect Finland's heavy borrowing programme.

Merrill Lynch, one of the lead managers, took issue with comments from traders that the issue will appeal to banks in particular which would be able to swap the bonds for floating rate assets paying 40 to 45 basis points over the London interbank offered rate.

Mr Tim von Halle, head of syndicate at Merrill Lynch, said: "We have not asset swapped a single bond, and we have sold almost $600m."

J. P. Morgan Securities and Nomura International are the other lead managers.

Around 45 per cent of the issue was sold to US domestic investors buying the spread, said Merrill Lynch.

The bulk of the balance went to continental Europe.

Japan Development Bank's $300m seven-year 6⅞ per cent straight bond through LTCB International received little attention in the circumstances. It had a mixed reception, supposedly failing to capture the imagination partly because of the clash with Finland, however traders note that the maturity and credit are quite different.

Plus points for JDB include the strength of its credit and increasing demand for longer maturities because of the steepness of the yield curve. The pricing was thought somewhat tight at 34 basis points over comparable US Treasuries.

The upward drift in the interest coupons payable on Japanese equity warrants continued with issues from **Daiwa House Industry.**

The company has had to accept a coupon of 2⅜ per cent on its $300m four-year issue and 2¾ per cent on an issue for SFr300m with the same maturity.

Over the past month, coupons have climbed from around 1.5 per cent as a result of the oversupply of such issues and the rising cost of the dollar given the feeling that US interest rates have bottomed out.

Bayerische Vereinsbank again reopened a collared floating rate note due 2003, issuing a further $50m tranche to fill pockets of demand. **Caisse Autonome de Refinancement's** FFr300m reverse FRN is seen as an investor-driven yield curve play.

The DM380m 10-year 7⅜ per cent issue for Metropolis of Tokyo was described as very tightly priced but well received, selling mainly to Japanese financial institutions with operations in Europe as well as to local retail investors.

Sterling swap spreads are reported to be still recovering from the activity surrounding Sweden's record Eurosterling bond last week, keeping swap-related sterling borrowers out.

Some selling pressure was reported on last week's new issues, as profits were taken.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Daiwa House Industry Co.(a)♦	300	2.375	100	1996	2¼/1½%	Nomura Int.
Japan Development Bank	300	6.875	99.69	1999	30/15bp	LTCB Int.
Tomoku Co.(a)♦	70	2.375	100	1996	2¼/1½%	Nikko Europe
Bayerische Vereinsbank(b)‡	50	(b)	100	2002	50/25bp	Merrill Lynch
D-MARKS						
Metropolis of Tokyo	380	7.375	101.625	2002	2¾/1½%	IBJ(Deutch.)
FRENCH FRANCS						
CAR(c)‡	100	(c)	100	1999	-	Paribas Cap.Mkts.
AUSTRALIAN DOLLARS						
Crédit Lyonnais Australia	75	8.625	101.4	1997	2/1½%	Deutsche Bank
SWISS FRANCS						
Daiwa House Ind.Co.(a)♦★★	300	2.75	100	1996	-	UBS

Final terms and non-callable unless stated. ★★Private placement. ♦With equity warrants. ‡Floating rate note. a) Final terms fixed on 24/11/92. b) Fungible with $300m outstanding. Coupon pays 12.5bp below 6-month Libor. Minimum coupon 5%, maximum 10%. c) Full name of borrower is: "Caisse Autonome de Refinancement". Coupon pays 9½% fixed annual for first year and 22¾% - 6-month Pibor thereafter.

Concern over estimate for PSBR drives gilts lower

By Tracy Corrigan in London and Patrick Harverson in New York

SUPPLY fears dominated trading in the gilts market yesterday, in the wake of last week's Autumn Statement, pushing prices down more than a point.

GOVERNMENT BONDS

The market was driven down by concerns that the estimated 1993/94 public sector borrowing requirement of £44bn could be exceeded.

Traders said yesterday that a number of factors, such as lower-than-expected growth, or a collapse in public pay constraint, could push the government's funding needs even higher.

Already, supply in the gilts market next year is expected to exceed £50bn, including refinancing of maturing debt.

From the gilt market's point of view, the prospect of a tax increase may now be viewed as good news.

"A tax increase could be positive for the gilts market. It would show resolve in attacking the deficit," said Mr Adrian James, an economist at Nat-West Capital Markets, who added that although such a move would be unpopular, a general election is still some time away.

■ THE French market also fared poorly yesterday, despite the issue of positive inflation data.

French consumer prices showed a monthly rise of 0.3 per cent, representing an increase of 2.4 per cent in year-on-year inflation, down from 2.6 per cent in September. French inflation has now fallen substantially below German inflation.

However, French bond prices ended down ⅜ point, as the market lost some of its recent buoyant tone, due to fading expectations of further interest rate cuts.

The French central bank yesterday kept a tighter rein on liquidity, dashing hopes of further cuts unless the Germans take action.

■ THE German bund market also appears to have run out of steam, ending slightly lower, after losing some earlier gains.

The revision of September broad money growth to 9.3 per cent from 9.1 per cent and a drop in western German wholesale prices for October helped depress sentiment in the German market.

The December bund future on Liffe closed down 0.12 point at 90.97.

■ US TREASURY prices eased slightly across the maturity range yesterday morning following further evidence of continued improvements in economic activity.

By midday the benchmark 30-year government bond was down ⅛ at 100$\frac{7}{16}$, yielding 7.583 per cent. The two-year note was also lower at midsession, down $\frac{1}{32}$ at 99$\frac{30}{32}$ to carry a yield of 4.604 per cent.

Prices eased at the opening on news of a 0.3 per cent rise in industrial production during October and a small rise in capacity utilisation.

Both figures were slightly above market expectations, and following last week's bullish news on the economy, backed up the growing perception of Treasury investors that economic growth over the coming quarters may prove more robust than anticipated.

The recent data has also reduced the likelihood of another interest rate cut by the Federal Reserve, which is now believed to have put monetary policy firmly on hold for the moment.

■ CANADIAN bond prices fell more than a point, following a ¾ point prime rate hike, as the Canadian dollar came under renewed pressure yesterday.

The Canadian dollar seemed to stabilise somewhat at around C$1.27 against the US dollar, following intervention by the Bank of Canada.

As well as the weakness of the currency, concern about the mounting deficits facing not only Canada but many provinces pushed bond prices down.

The yield curve has flattened substantially, despite the weak performance of bonds. The Government of Canada's 8½ per cent 10-year bonds ended down 1¼ point.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.6768	-0.103	8.82	8.81	8.79
BELGIUM		8.750	06/02	104.2800	-0.220	8.08	7.95	8.28
CANADA *		8.500	04/02	103.1000	-1.250	8.02	8.14	7.91
DENMARK		9.000	11/00	101.5500	-0.420	8.72	8.67	9.32
FRANCE	BTAN	8.500	03/97	101.2614	-0.216	8.11	7.90	8.55
	OAT	8.500	11/02	102.7450	-0.460	8.06	8.08	8.44
GERMANY		8.000	07/02	103.8300	-0.130	7.43	7.30	7.38
ITALY		12.000	05/02	94.7350	-0.155	13.40†	13.55	14.76
JAPAN	No 119	4.800	06/99	101.2938	+0.025	4.55	4.58	4.71
	No 145	5.500	03/02	105.6393	-0.105	4.64	4.65	4.85
NETHERLANDS		8.250	06/02	104.7700	-0.120	7.53	7.53	7.65
SPAIN		10.300	06/02	88.5250	-0.025	12.38	12.55	13.23
UK GILTS		10.000	11/96	109-19	-16/32	7.20	6.86	7.73
		8.750	08/02	109-13	-29/32	8.32	8.04	8.52
		9.000	10/08	102-11	-1	8.72	8.53	8.97
US TREASURY *		6.375	08/02	96-14	-12/32	6.86	6.95	6.62
		7.250	08/22	95.20	+2/32	7.62	7.75	7.54
ECU (French Govt)		8.500	03/02	98.4850	-0.285	8.74	8.81	9.10

London closing. *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

FT FIXED INTEREST INDICES

	Nov 16	Nov 13	Nov 12	Nov 11	Nov 10	Year ago	High *	Low *
Govt Secs(UK)	94.01	94.98	95.34	95.54	95.46	86.72	95.54	85.11
Fixed Interest	109.42	110.08	110.26	110.09	109.97	96.40	110.26	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 110.26 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Nov 13	Nov 12	Nov 11	Nov 10	Nov 9
Gilt Edged Bargains	214.3	312.2	298.3	302.6	277.6
5-Day average	280.6	287.6	270.5	258.4	249.3

* SE activity indices rebased 1974

CFTC opens way for catastrophe contract dealing

By Richard Lapper

THE Chicago Board of Trade yesterday received regulatory approval from the Commodity Futures Trading Commission (CFTC) for a range of new catastrophe insurance futures and options, allowing trading to begin on December 11.

The catastrophe insurance futures contracts, originally announced in August this year, are designed to allow insurers to hedge underwriting risk associated with unexpected disasters.

Mr William O'Connor, CBOT chairman, said the contracts "will be the first in a new complex for a vital industry in need of efficient risk-management tools".

The futures contracts are to be based on figures for quarterly insured catastrophe losses nationwide and in three regions (eastern, midwestern and western) of the US.

Trading of a contract based on figures for the US as a whole and the eastern region begins in December.

There is no date set for trading for the contract based on midwestern and western figures.

The catastrophe losses figures will be based on a large sample of reported incurred losses for a quarter caused by wind, hail, earthquake, riot or flood, as appropriate for each applicable property line.

The data will be collated by the Insurance Services Office, which collects claims-loss data for companies representing about 85 per cent of the US insurance industry.

The price of a contract will reflect the market's expectation of a quarter's catastrophe loss in relation to that same quarter's estimated property premium.

As severe catastrophes occur, or as frequency increases, the futures price is likely to increase.

Alternatively as the loss quarter progresses with fewer than expected catastrophe losses the futures price could decline.

Guarantees may be offered on geared funds

By Richard Waters

MANAGERS of unit trusts which invest in futures and options may be able to offer guarantees to their customers following a revision of current regulations planned for early next year, the Securities and Investments Board has said.

At the moment, restrictions on the offering of guarantees have meant that no geared futures and options funds – known as "GFOFs" – have been launched since restrictions on them were lifted a year ago. Only a handful of futures and options funds without guarantees have been launched.

Geared funds are riskier, making it important for their managers to offer some form of guarantee to attract investors.

The SIB said it was exploring methods by which funds could offer guarantees within the existing regulations, rather than preparing a complete overhaul.

In a separate move, the SIB said it hoped to put out guidance soon on how all unit trust fund managers use futures to hedge their portfolios.

Unofficial guidance given earlier this year by an executive of Imro, the investment management regulator, was interpreted by trustees to mean that a fund could not buy a stock index future unless there was at least a 95 per cent "congruance" between its portfolio and the index.

Fund managers have said that this effectively made it impossible for them to buy stock index futures.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7.05 pm on November 16

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	75	3
Other Fixed Interest	0	11	4
Commercial, Industrial	204	350	867
Financial & Property	85	227	490
Oil & Gas	13	16	55
Plantations	1	0	8
Mines	35	16	94
Others	41	32	41
Totals	380	727	1,562

LONDON RECENT ISSUES

EQUITIES

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

FIXED INTEREST STOCKS

RIGHTS OFFERS

TRADITIONAL OPTIONS

- First Dealings Nov. 9
- Last Dealings Nov. 20
- Last Declarations Feb. 11
- For settlement Feb. 22

3-month call rate indications are shown in Saturday editions.

Calls in Arcon Intl. Res., Babcock, Betterware, Brown Shipley, British Steel, First Natl. Finance, Leigh Interests, Marshalls, Proteus Intl., Ratners, Rhino and Vizcaya. Puts in British Steel and Euro Disney.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

November 16 Total Contracts 21,656
Calls 12,313 Puts 9,343
FT-SE Index Calls 4,081 Puts 3,894
Euro FT-SE Calls 1,390 Puts 825
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon Nov 16	Day's change %	Fri Nov 13	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	128.43	-0.26	128.77	2.04	10.99
2	5-15 years (25)	145.67	-0.78	146.82	2.27	11.85
3	Over 15 years (8)	152.11	-1.14	153.87	2.50	10.57
4	Irredeemables (6)	170.94	-1.42	173.41	0.67	13.45
5	All stocks (61)	142.18	-0.66	143.13	2.23	11.64
	Index-Linked					
6	Up to 5 years (2)	184.01	-0.10	184.20	0.50	3.68
7	Over 5 years (10)	167.69	-0.31	168.22	1.07	4.04
8	All stocks (12)	168.70	-0.28	169.18	0.99	3.96
9	Debs & Loans (62)	122.79	-1.02	124.05	2.39	10.48

AVERAGE GROSS REDEMPTION YIELDS

			Mon Nov 16	Fri Nov 13	Year ago (approx.)
	British Government				
1	Low	5 years	7.12	6.95	8.57
2	Coupons	15 years	8.26	8.13	9.47
3	(0%-7¾%)	20 years	8.52	8.39	9.47
4	Medium	5 years	7.43	7.30	9.73
5	Coupons	15 years	8.69	8.56	9.59
6	(8%-10¾%)	20 years	8.90	8.78	9.56
7	High	5 years	7.68	7.54	9.93
8	Coupons	15 years	8.98	8.85	9.67
9	(11%-)	20 years	9.07	8.95	9.60
10	Irredeemables(Flat Yield)		8.85	8.72	9.67
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.39	2.35	3.75
12	Inflation rate 5%	Over 5 yrs.	3.75	3.72	4.23
13	Inflation rate 10%	Up to 5 yrs.	1.55	1.50	3.08
14	Inflation rate 10%	Over 5 yrs.	3.56	3.53	4.04
15	Debs & Loans	5 years	8.85	8.70	11.35
16		15 years	9.93	9.76	11.18
17		25 years	10.11	9.99	11.01

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COMPANY NEWS: UK

Graphs as the new corporate sleight of hand

Andrew Jack examines how companies are using a variety of means to enhance their performances

A PICTURE may be worth a thousand words, but a graph can severely distort a company's true financial performance, according to an academic study released yesterday.

Nearly four fifths of leading quoted British companies use graphs to illustrate their annual reports, but almost one third portray the performance more favourably than the underlying numbers should permit.

Companies with good performance are more likely to use graphs than those with poor or worsening performance, said Vivien Beattie from the University of Southampton and Michael John Jones from the University of Wales.

Their analysis – sponsored and published by the Chartered Association of Certified Accountants – is based on an analysis of the 1989 annual reports of 240 companies.

"Many graphs were not presented in a neutral, unbiased way," say the two authors. "In particular, there was evidence of selectivity, measurement distortion and presentational enhancement." They warn that an unfaithful, biased presentation of graphs may undermine the reliability of financial statements.

Among the 21 detailed examples, the authors cite YJ Lovell Holdings. The company's graphs have columns of inconsistent width and variable spaces between them, which distort the figures.

The graphs slope to the right, drawing the eye upwards to suggest continual growth.

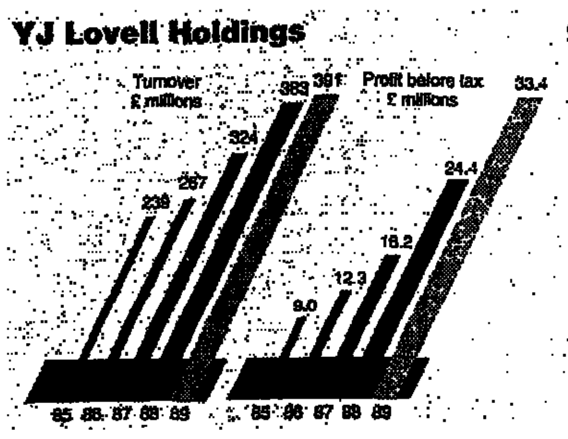
Lovell uses a different colour and puts in bold the figure above the graph line for the most recent year. There is no clear indication of where the baseline sits.

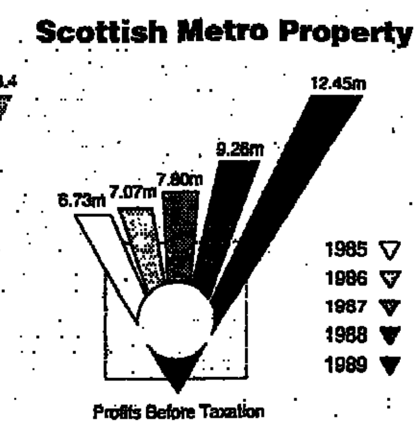
Scottish Metropolitan Property creates an eye-catching graphic, but has no axes, and displays inconsistencies in the width of the lines and the spaces between them.

The position of the baseline is also unclear. The use of darker colours draws the eye upwards and to the right.

Graphs were used by 79 per cent of the companies sampled – an even higher proportion for those employing graphic designers to help produce their reports. The most common type used were column graphs, typically showing five year performance.

Two thirds of these companies used graphs to highlight at least one of four key financial variables: turnover, pre-tax profits, earnings per share and





Some 30 per cent of the graphs showed "material measurement distortion" – where the physical measurements on the graph are not proportional to the numeric values being represented – which was greater than 5 per cent.

The main devices the authors say the companies used to manipulate figures to create the impression of strong performance include:

- distortion: variations in the width, volume and space between graph lines; use of symbols (such as a company product) in place of a line which distorts as it grows in size.
- scale: non-zero or broken axes; truncation of a negative axis; use of a non-arithmetic scale; the absence of any scale at all.
- typeface: non-horizontal.
- cross-hatching: giving the impression of movement and the illusion of tilt.
- colour: different colours including more powerful ones for different years.
- shadows/shade behind graph lines: to draw the eye upwards, sometimes darkening higher up the graph.
- sloping: upwards and to the right of words, graphs and arrows to draw the eye upwards.
- emphasising top of the graph: drawing the eye.
- combinations of graphs: not aligning graphs, making comparisons difficult; encouraging comparisons where they are false because scales are different.

Thorn EMI uses the performance over four years of three financial variables, combined with a graph for a single year showing the contribution to turnover from four operating divisions.

Vivien Beattie said: "A lot is left in the hands of graphic designers who while trying to do a good job for their client perhaps end up doing the wrong thing.

"Graphs are a good thing, but if designers are left unchecked, their tendency is to over-design. This can either obscure or even distort information."

The communication of information using graphs in corporate annual reports. ACCA, 29 Lincoln's Inn Fields, London WC2A 3EE. £15

Volex surpasses forecast with sharp advance to £3.2m

By Peter Pearse

PRE-TAX PROFITS for the six months to September 30 at Volex, the electrical interconnection products company, comfortably exceeded the 86 per cent increase to £2.8m forecast in October.

Mr Howard Poulson, chairman, said that September's results – not in at the time of the forecast – had been "very good" and enabled pre-tax profits to more than double to £3.21m (£1.48m).

Mr Poulson ascribed the advance in large part to the progressive reduction of exposure to UK markets, mainly via acquisitions, and to "the strategic re-direction into higher margin products".

Sales from overseas operations accounted for some 47 per cent of group turnover of £42.7m (£41m), against 20 per cent last time. After October's £6.5m acquisition of Mayor, the Singapore-based maker of data and power cord assemblies, the figure will rise to about 60 per cent, Mr Poulson said.

In wiring harnesses, which account for about a third of group sales, the move away from the high volume car production market saw the closure of the St Helens factory, which supplied Rover, and a greater emphasis on agricultural and commercial vehicles as well as other transport areas. Ionix, acquired in March, supplies harnesses to the aerospace industry and Rolls-Royce.

Cable assemblies, boosted by the acquisitions of Cable Products in January 1992, Icontec in July 1993 and now Mayor, account for more than 50 per cent of group sales. Mr Poulson said that demand was outstripping supply in both Mayor and Pencon, which is benefiting from the expected safety legislation requiring the pre-fitting of plugs to electrical appliances.

Specialist cables, said Mr Poulson, suffered in the general economic climate but remained profitable.

He added that his medium-term plan was to introduce a fourth leg to Volex. This would represent a move away from OEM (original equipment manufacturer) products towards higher added value products, possibly branded.

The interim dividend is maintained at 6.5p, payable from earnings per share of 11.7p (6.4p).

Family hopes to buy Henry Barrett arms

By Andrew Bolger

FAMILY MEMBERS hope to buy the main businesses of Henry Barrett Group, the Bradford-based steel and industrial fasteners company which was placed in administrative receivership on Friday.

Mr James Barrett, 37, and his brother, Richard, 35, have offered £12m for the steel stockholding and building divisions, employing 450 out of the group's 750 people. They were not placed in receivership.

The brothers, who helped bring the group to the market in 1987, are backed by two venture capital funds and advised by Touche Ross. The receivers, Grant Thornton, are in talks with other possible buyers for Lindapter International, the special fastening subsidiary, which is also not in receivership.

Mr James Barrett said the proposed purchase would secure the jobs and creditors of the stockholding and building divisions, accounting for about £60m of group turnover of £100m. It is likely to be less easy to find buyers for the subsidiaries now in receivership, principally Westbury Tubular Structures and Don Reynolds, which makes flat-panel cladding.

Henry Barrett grew rapidly during the last building boom and its shares peaked at 280p in 1989.

Harmony rebels accuse directors of concealing group's true performance

By Tim Burt

HARMONY LEISURE, the public house group at the centre of a shareholder battle for boardroom control, yesterday announced interim losses of £344,000 pre-tax on turnover of £3.09m.

The company blamed the losses for the six months to September 27, which compared with profits of £445,000 on turnover of £3.81m, on higher net interest charges – up from £239,000 to £248,000 – and depreciation of assets.

Rebel shareholders hoping to oust the executive directors accused the company of putting up a smokescreen on its true performance.

They claimed losses had been reduced only because the company had sold several public houses to offset interest charges.

"On this theory, they would be pleased to have no turn over because it would mean no losses," said Mr Andrew Martyr, leader of the rebel group.

Harmony, however, denied that the sale of two of its sites was reflected in the half year figures.

Mr Stanley Lever, managing director, said the company was making progress in cutting administration expenses and operating losses – down to £96,000 from £210,000 last year.

The annual accounts to March 29 were qualified after Barclays, concerned at the level of borrowings, insisted on a substantial loan repayment in January next year.

Former Mowlem men arrested in California

By Andrew Taylor, Construction Correspondent

TWO FRENCHMEN wanted in France for allegedly embezzling $8m (£5.2m) from a subsidiary of John Mowlem, the construction group, have been arrested in California by the Federal Bureau of Investigation.

Mowlem said last night that it had made a provision of more than £4m in its 1991 accounts to cover any loss. "We cannot say any more about the matter because the case is sub-judice," the company added.

Mr Jean-Michel Garoscio, 31, and Mr Erwan Anger, 28, were arrested in Monterey, where they were running a restaurant, according to the FBI.

The two men are being held without bail to await extradition proceedings to France. They are sought by a court in Lyon on charges of misappropriating corporate assets and forgery.

They were previously employed by HSS Location, a subsidiary of HSS Hire Service Corporation, which is owned by Mowlem and rents tools to the building trade.

It is alleged that Mr Garoscio and Mr Anger used a variety of schemes to embezzle money from the company between 1988 and March 1992.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Black Arrow ...int	1	Jan 5	0.5	-	2.1
BOC ...fin	11.6	Feb 1	10.2	23.2	20.4
British Steel ...int	nil	-	3	-	4.5
Jarvis Porter ...int	1.5†	Jan 15	1.4	-	4.4
Platignum ...int	0.25	Jan 4	nil	-	nil
Vibroplant ...int	1.22	Jan 11	1.22	-	3.6
Volex ...int	6.5†	Feb 8	6.5	-	17

Dividends shown pence per share net except where otherwise stated.
†On increased capital.

Warburg joins Hoare as joint broker to British Gas

By Roland Rudd

British Gas yesterday announced that SG Warburg Securities has been appointed joint broker with Hoare Govett, which was taken over by the Dutch bank ABN Amro earlier this year.

Hoare Govett was recently forced to give up being sole broker to RTZ, the mining group, which appointed Cazenove as joint broker.

Mr Peter Meinertzhagen, Hoare Govett's chairman, said he was not concerned by the decisions since most of the UK's big companies had joint brokers.

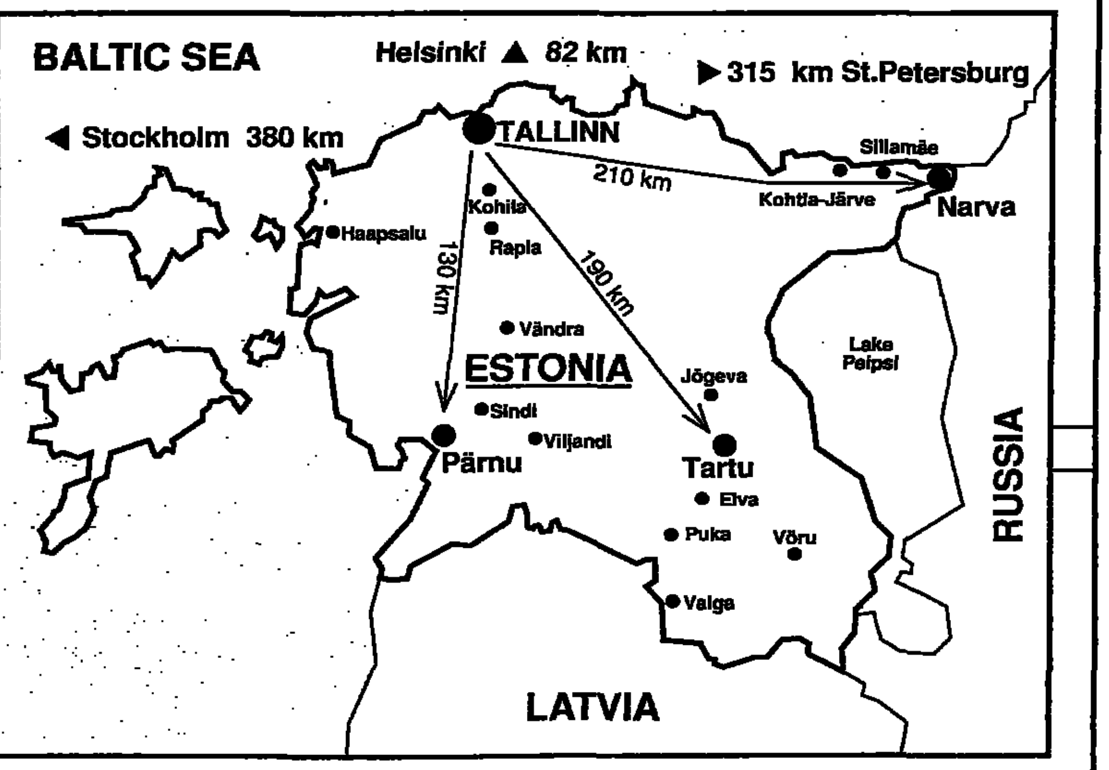
ESTONIA

Closing date: December 22, 1992

Tender for the sale of

INDUSTRIAL ENTERPRISES

by the Estonian Government Agency for Privatization of State Property



Enterprise number, name, location *(in brackets: type of business/capacity/present number of employees)*

Textiles

(EE-1) RAS "Mistra"
EE0108 Tallinn
(Automobile carpets and interiors / 1,5 million sqm/y. Not-knitted cloth, pillows, blankets / 15 million sqm/y. Commercial textile wholesale / 530)

(EE-2) RAS "Suva"
EE0110 Tallinn
(Socks and stockings, silk weaving / 20 million pairs/y / 700)

(EE-3) RAS "Sindi Tekstiilivabrik"
EE3490 Sindi
(Woolen and wool-blended cloth for clothing, blankets / 30,000 tons/y /270)

(EE-4) RE Kombinaat "Kreenholmi Manufaktuur"
EE2000 Narva
(Cotton cloth, cotton thread / 220,000 tons/y / 8,700)

(EE-5) RAS "Sangar" including plants in Tartu, Otepää and Misso
EE2400 Tartu
(Men shirts and trousers / 2.5 million pcs/y / 640)

(EE-6) Elva plant
Plant of RAS "Sangar"
EE2442 Elva
(Men shirts and trousers, bed-linen / 160,000 pcs/y / 50)

(EE-7) Jõgeva plant
Plant of RAS "Sangar"
EE2350 Jõgeva
(Blouses / 200,000 pcs/y / 40)

(EE-8) RE Vabrik "Keila"
EE0013 Tallinn
(Wool-blended cloth / 28,000 tons/y / 300)

(EE-9) RAS "Noorus"
EE2020 Kohtla-Järve
(Trousers, night gowns, women clothes, bed-linen of cotton / 660,000 pcs/y / 440)

(EE-10) RAS "Pärnu Linakombinaat"
EE3600 Pärnu
(Linen cloth, linen products / 25,000 tons/y / 600)

(EE-11) RAS "Sulev"
EE3170 Haapsalu
(Clothing and textile products /1 million pcs/y / 350)

(EE-12) RAS "Wendre"
EE3461 Vändra/Pärnu
(Carpets /2.8 million sqm/y / 310)

Footwear

(EE-13) RAS "Põhjala"
EE0110 Tallinn
(Rubber footwear, PVC / 1.5 million pairs/y / 350)

(EE-14) RAS "Elkar"
EE2400 Tartu
(Fur products, tanning, leather (genuine and artificial) footwear / 1.5 million pairs/y / 940)

(EE-15) RAS "Kommunaar"
EE0108 Tallinn
(Shoes, boots and footwear / 4 million pairs/y / 1,630)

Furniture

(EE-16) RAS "Valga Mööbel"
incl. plant in Valga
EE2500 Valga
(Furniture / 80,000 pcs/y / 250)

(EE-17) Furniture plant in Puka
Plant of RAS "Valga Mööbel"
EE2508 Puka/Valgamaa
(Furniture / 50,000 pcs/y / 60)

(EE-18) RE Tallinna Vineeri- ja Mööblikombinaat
EE0106 Tallinn
(Furniture, plywood production / 1 million pcs/y / 1,760)

Food Processing

(EE-19) Plant Viljandi Leiva- ja Makaronitööstus
EE2900 Viljandi
(Bread and pasta / bread baking 2,900 kg/h; confectionery 350 tons/y / plant is under final construction, Italian equipment / number of employees presently n. a.)

(EE-20) RAS "Säilis" incl. plant in Tartu
EE2400 Tartu
(Fruit and vegetable preserves / 90 tons/day; processing and pickling of vegetables / 2,100 tons/season / 380)

(EE-21) Plant Viljandi Konservitehas
Plant of RAS "Säilis"
EE2900 Viljandi
(Fruit and vegetable preserves / 20,000 cans/day; canned meat / 10,000 cans/day / 100)

(EE-22) RE Painküla Tärklisetehas
EE2350 Painküla/Jõgeva
(Starch, starch syrup, potato chips, etc. / new lines in final construction / 50)

(EE-23) RE Pärnu Kalakombinaat
EE3600 Pärnu
(Tinned fish products / 40,000 tons/y / 500)

(EE-24) RAS "Kalev"
EE0107 Tallinn
(Chocolate, candy / 40,000 tons/y / 1,100)

Electronics Electrical

(EE-25) RE Tallinna Raadioelektroonika Konstrueerimisbüroo
EE0090 Tallinn
(Radio engineering, measurement systems, HI-FI radio-electronic devices, printboard designing / 90 engineers / 130)

(EE-26) RAS "Tondi Elektroonika"
EE0107 Tallinn
(Crystals / 60 million crystals/y; integrated circuits / 42 million pcs/y; medical hearing aids / 0.32 millions pcs/y / 2,100)

(EE-27) RAS "Baltijets"
EE2000 Narva
(Personal computers, radio isotopes, medical equipment, dosimeters / number of employees presently n. a.)

(EE-28) RAS "Estoplast"
incl. plant in Tallinn
EE0107 Tallinn
(Electric lighting installations / 2 million pcs/y / 350)

(EE-29) Rapla plant
Plant of RAS "Estoplast"
EE3500 Rapla
(Electric switches / 1.5 million pcs/y / 130)

Machine Building

(EE-30) RE Tartu Põllumasinatehas "Võit"
EE2400 Tartu
(Agricultural machinery, metalworks / 500 units/y / 200)

(EE-31) RAS "Tallinna Masinatehas"
EE0017 Tallinn
(Air coolers, oil shale industry equipment, reservoir tanks, welded construction, steelcastings, forgings / n. a. / 900)

(EE-32) RAS "Ilmarine"
EE0108 Tallinn
(Power engineering, cleaning and automatic equipment for boilers, oil and gas burners, consumer goods / n. a. / 700)

Other Manufacturing

(EE-33) RAS "Tarbeklaas"
EE0110 Tallinn
(Glass and glassware / 3 million pcs/y / 410)

(EE-34) RE Eesti Vabariigi Tööstuskaubanduslik Firma "Auto VAZ teenindus"
EE0108 Tallinn
(Countrywide automobile sales, service and spare parts / 10 repair shops / 240)

(EE-35) RAS "VGT"
EE2710 Võru
(Gas analysers, skate-boards / 150,000 units/y / 530)

(EE-36) RAS "Oru"
EE2020 Kohtla-Järve
(Peat / 500,000 tons/y / number of employees presently n. a.)

(EE-37) RAS "Vasar"
EE0013 Tallinn
(Locks / 6 million pcs/y; safety belts for construction workers / 0.5 million pcs/y / 750)

(EE-38) RAS "Koit"
EE3420 Kohila
(Paper, wall-paper, note-books / 40 million notebooks/y /110)

Tender Conditions

1. In accordance with its legal mandate, the RE Eesti Erastamisettevõte (Estonian Government Agency for Privatization of State Property, "EERE") intends to sell the aforementioned enterprises by means of a tender in the following manner:
   a) bids for a state owned joint stock company (organized as "RAS" under Estonian law) must be for the total shares of the company;
   b) bids for a state owned enterprise (organized as "RE" under Estonian charter) must be for its total operations; and
   c) bids for a plant must be for its total assets (buildings, leasehold, equipment and inventory), with inventory finally to be valued as of the time of acquisition.
2. The tender is public and anyone is entitled to bid.
3. In deciding among the bids, the EERE will take into consideration, among other things, the bid price, the business plan submitted, promises to maintain or create jobs, and pledges to invest, each of which will be considered part of the bid. Upon signing a contract, the successful bidder will be required to post a bond in order to guarantee these pledges.
4. Interested parties can obtain enterprise and plant profiles without charge from the EERE. The EERE is not responsible for the accuracy and completeness of this information. Prospective bidders will receive written authorization from the EERE to visit the enterprises or plants on the basis of which additional information will then be provided by the enterprise or plant management.
5. Bids are to be submitted in a sealed envelope marked only with the name of the enterprise or plant for which the bid is submitted.
6. Bids must be received at the EERE, Rävala 6, EE0105 Tallinn, Estonia, no later than 2 p.m. (local time), on December 22, 1992 (the "closing date"). Bids will be opened immediately thereafter in the presence of a notary public. Bids must be denominated in Estonian Kroon (EEK) or Deutsche Mark (DM), and shall remain valid for ninety (90) days after the closing date.
7. Bids must be accompanied by a bond of five (5) percent of the bid value in the form of an irrevocable bank guarantee valid for ninety (90) days after the closing date. The bid bond will be forfeited if the bidder either fails to hold its bid open during the required period or refuses to sign a contract in accordance with its bid.
8. The EERE will decide on the bids within ninety (90) days after the closing date. The EERE is not bound to accept any bid and may accept a bid other than the highest.
9. To the extent that a previous owner has submitted a claim seeking return (in whole or in part) of an company or plant, a sale will require either the approval of the claimant or a decision in accordance with applicable Estonian law.

EERE (RE Eesti Erastamisettevõte)

A. Bergmann, Chairman — Dr H. B. Schmidt, Chief Consultant

Office hours for the EERE are Monday through Friday from 9 a.m. until 4 p.m. (local time).

For further information (enterprise profile, data on Estonia, visit authorization) please contact:

RE EESTI ERASTAMISETTEVÕTE
(Estonian Government Agency for Privatization of State Property)
Rävala 6 - EE0105 Tallinn/Estonia

Tel. +7-0142-691606, +7-0145-249276, +358-49-106103
Fax +358-49-106100, +358-49-106101, +358-49-106102, +7-0142-454450

COMPANY NEWS: UK

Generators face music on results

Michael Smith details the dilemma facing electricity companies

IN ANY other industry it would be a cause for celebration. Britain's electricity companies, however, view with apprehension the start today of a results season that will see all of them declare healthy profits - most substantially higher than last year.

"Unless we declare no increases in profits and say we are reducing the salaries of our chairmen, we are bound to get flack," reflects the financial director of one of England and Wales's 12 regional electricity companies.

In the two years since privatisation, the sector has weathered attacks over the size of profits seen by critics as the product of feather-bedding introduced by the government to make the companies' shares attractive.

The interim results to be declared by the two generators, the two Scottish companies and the 12 regional electricity companies (RECs) in England and Wales over the next month will be closely scrutinised because of the government's *energy policy review*.

The RECs are vulnerable to attack because of their role in the so-called "dash for gas". This has seen some join ventures that will lessen the need for coal-fired generation, contributing to British Coal's decision, now under review, to close 31 pits and shed 30,000 jobs.

Although these results will tell us nothing about the economic viability of gas-fired power stations, the RECs will come under strong pressure at results meetings to justify their claims that customers will not suffer. High profits would increase the suspicion that companies are too heavily biased towards serving the interests of their shareholders rather than customers.

They face criticism from several quarters. Dividend cover is high and most companies are likely to reason that abandoning the policy of strong dividend growth, albeit temporarily, would lead to a loss of shareholder loyalty.

Prof Stephen Littlechild, the electricity industry regulator, has launched a long-term review of industry pricing, and the latest results could affect his thinking.

The industry can at least comfort itself with the likelihood that pre-tax profits will have risen less steeply than they did for the first post-privatisation full-year results six months ago.

The RECs then recorded an average rise of more than 50 per cent. A figure closer to 20 per *cent is likely this time, still* leaving room for critics' attacks.

The profit out-turns, however, will have only limited value.

Electricity use is highly seasonal and some companies first-half profits will be less than a tenth of the yearly outturn. In addition, the post-privatisation restructuring of the industry and the recession leave plenty of scope for companies to make exceptional provisions and thus reduce the headline profit total.

Political pressure may also affect some companies' dividend decisions. High increases run the risk of antagonising politicians and the electricity regulator at a time when critical decisions are being made about the industry's future. Dividend cover is high and most companies are likely to *reason that abandoning the* policy of strong dividend growth, albeit temporarily, would lead to a loss of shareholder loyalty.

Most analysts expect National Power, PowerGen and the *Scottish companies* to increase dividends by 10 per cent or more, and the RECs by an average of about 12 per cent.

National Power starts off the season today with expectations of between £209m and £236m at the pre-tax level, against £202m last time. PowerGen will show a less impressive headline growth tomorrow – analysts expect £100m against last year's £97m - largely because of accounting procedures leading to a heavier proportion of profits being reported in the second half.

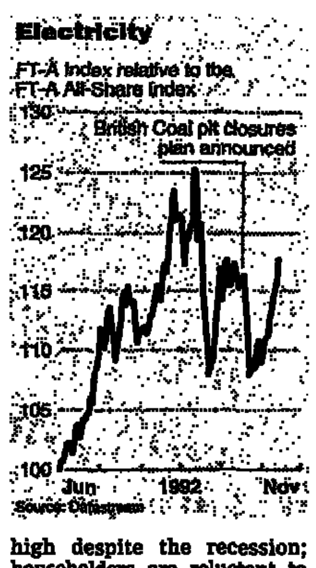
With the generators' income and costs relatively easy to *predict because of long-term* contracts with British Coal and the RECs, the City will focus on what progress the companies are making with cost cutting, in particular staffing reductions.

Profit growth is also assured for the RECs. They enjoy inflation-plus pricing formulae, cost reductions through rationalisation and the likely rise in distribution business which provides more than 80 per cent of profits.

Volume growth is likely to have continued, perhaps by about 1 per cent. Demand is high despite the recession; householders are reluctant to cut back on heating and ventilation while the cuts in industry have been partially offset by retailers staying open longer. The recession may have taken a higher toll on some non-core activities, including retailing which made profits for only two RECs last year.

In the long term, however, these are sideshows for most companies compared with the potential profits or losses that will accrue from the combined cycle gas turbine power stations most of the RECs are building.

Should Prof Littlechild find next month that electricity from some of the proposed stations is likely to cost consumers more than their coal-fired equivalents, company shares will take a far bigger hit than anything which is likely to come out of the interim results.



POWER PROFITS
£m interim pre-tax

	92-93*	91-92	% change
East Midlands	27	24.7	9.3
Eastern	22	15.4	42.8
Hydro	48	27	77.8
London	17	14.5	17.2
Manweb	34	27.5	23.6
Midlands	31	27	14.8
National Power	226	202	11.9
Northern	35	26	34.6
Norweb	36	33.4	7.8
PowerGen	99	97	2.1
Scottish Power	94	81.9	14.8
Seeboard	10	6	66.7
South Wales	25	20.7	20.7
South Western	16	13.6	17.6
Southern	14	13.7	2.2
Yorkshire	43	33.1	29.9

*Forecast by SG Warburg Securities

Construction slump leaves Vibroplant 24% behind

By Paul Taylor

VIBROPLANT, the plant hire group with operations in both the UK and US, yesterday blamed the slump and price cutting in the UK construction industry for a sharp decline in interim pre-tax profits.

Mr Jeremy Pilkington, chair*man, said that output in most* UK construction sectors is still in decline, and warned that commercial and industrial construction is unlikely to recover before 1994 "at the earliest."

*As a result second-half prof*its are expected to be lower than those in the first half.

Although US profits were maintained in the latest period, the reduced UK contribution resulted in a 24 per cent decline in group pre-tax profits which fell to £2.08m in the six months ending September 30, down from £2.68m.

A further deterioration in construction activity levels in both the UK and the US during the first half, resulted in an 11.4 per cent drop in turnover to £36.2m (£40.9m).

Earnings per share fell to 2.93p (4.05p) but the interim is maintained at 1.22p although the dividend policy will be kept under review.

In the UK, pre-tax profits fell by 34 per cent to £1.22m on *revenues which* were broadly maintained at £18.7m (£19.3m) including a first-time revenue contribution of £1.1m from Alphabet Event Hire which was acquired in February.

The underlying decline in plant hire revenues reflected a further deterioration in hire rates and the group's "reluctance to engage in highly marginal business at some of the prices prevailing in the marketplace."

Revenues from the group's US businesses dropped by 19 per cent to £17.5m (£21.5m) because of a reduction in machine sales and the sale in March of the loss-making Baltimore business.

Rental revenues from continuing businesses increased by 3 per cent and, helped by cost reduction measures and lower financing costs, pre-tax profits from the US operations were flat at £810,000 (£821,000).

Strong positive cash flow enabled the group to invest about £3m during the first half, and to continue its objective of reducing borrowings.

At the end of September group debt stood at £32m, representing about 60 per cent of shareholders' funds, down from £37m, representing gear*ing of* 70 per cent, at the end of March.

A further reduction in borrowings is expected in the second half with year-end gearing falling to about 50 per cent.

Looking ahead Mr Pilkington noted that the prospects for US economic recovery have suffered "several false dawns" but added "we would expect the recovery to start earlier in the US, and proceed more rapidly than in the UK."

NEWS DIGEST

Black Arrow trebles

BLACK ARROW Group, the office furniture and leasing finance group, saw pre-tax profits treble in the half year to September 30.

However, the company warned that the outlook for the rest of the year was bleak.

On turnover up 41 per cent at £11.7m (£8.35m) profits rose from £538,000 to £1.55m, including a £668,000 contribution from a property disposal.

But Mr Arnold Edward, chairman, said trading conditions had deteriorated in recent months and were not expected to improve for some time.

The interim dividend, doubled at 1p, "but does not neces*sarily imply an increase in the* final dividend", he said.

Platignum up 71% at £329,000

Platignum, the manufacturer of writing instruments, stationery, furniture and housewares, took an upward turn in the half year to September 30 with pre-tax profits advancing 71 per cent from £192,000 to £329,000.

Turnover fell from £8.89m to £8.14m.

Mr Simon Knott, chairman, said that both stationery and housewares were performing well in *difficult markets.*

An extraordinary charge of £260,000 related to the disposal in June of Cousins and Matthews, the Elm Furniture subsidiary. Problems at Younger Furniture, which has incurred *losses,* continued to be "addressed".

Earnings improved from 0.9p, adjusted for the 1-for-10 share consolidation which took place as part of the capital reorganisation in May, to 1.3p. As forecast with the open offer and placing in March, there is a return to the dividend list with an interim of 0.25p.

Nesco advances 60% to £222,000

Nesco Investments, the computer software group which also generates and supplies electricity in Nigeria, reported a 60 per cent increase, from £138,889 to £222,313, in pre-tax profits for the year to June 30.

Directors said DCS, the computer services operation, produced its best ever result with operating profits before exceptional items and interest improving by 23 per cent.

Total sales were down from £5.65m to £5.31m, reflecting the weakness of the naira.

Earnings per share amounted to 2.97p against 0.83p.

GEC bids for the rest of Berkel's

GEC is offering to buy the outstanding 35.34 per cent of the ordinary share capital of Berkel's Patent, the Dutch food industry supplier, and intends ending the company's listing.

The offer is Fl 0.35 per share which values the whole of the Berkel's ordinary equity at Fl 22.8m (£8.36m). Berkel's board is recommending the offer. GEC owns all the priority shares.

In the nine months to September 30 significant losses were reported as well as a further reduction in shareholders funds. By the end of the period *net asset value had fallen to* Fl 0.13, despite the conversion of GEC's Fl 10m subordinated loan into equity.

Oglesby & Butler falls to I£74,000

Oglesby & Butler Group, the Irish-based electrical and electronic power tool company, reported profits of I£74,000 (£81,100) before tax for the six months to September 30.

The decline from last time's I£164,000 came on turnover of I£1.51m (I£1.82m). Earnings per share worked through at 0.61p, down from 1.33p last time.

Towles cuts interim loss to £537,000

Towles, the Loughborough-based textile company, reported lower pre-tax losses of £537,000 for the six months to August 31, compared with £644,000. Turnover increased from £5.75m to £6.49m.

After a tax credit of £177,000 (£212,000) losses per share were 15p (18p).

Write-off ups loss at CH Bailey

Losses at CH Bailey, the engineering, ship repairing and leisure group, increased from £664,081 to £1.09m pre-tax over the 12 months to March 27.

The figure was struck after a write-off of £639,191 in respect of the group's investment in Clarke Foods, the ice-cream maker which called in administrative receivers in October.

Turnover amounted to £3.54m, down from £5m. Losses per share were 1.8p (1.1p).

Allied-Lyons sells Muswell's chain

Allied-Lyons is to sell its chain of Muswell's continental style cafe-bars to Priorywood Holdings. Terms of the deal were not disclosed.

A total of 28 Muswell sites *will be sold. Allied will retain* eight outlets and convert them to other brands.

Mr Tony Trigg, chief executive of Allied-Lyons Retailing, said that the company had decided after a strategic review to focus resources on two core areas: pubs and mainstream branded restaurants.

Mr Bob Sneesby, chairman of Priorywood, which operates a chain of restaurants, said that Muswell's was "a very good fit with our outlets and trading activity".

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SCOTLAND

The FT proposes to publish this survey on **December 11 1992** from its print centres in Tokyo, New York, Frankfurt, Roubaix and London. It will be read by senior businessmen and government officials in 160 countries worldwide. It will also be of particular *interest to the* 130,000 directors and managers in the UK who read the weekday FT.*

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Data source: BMRC Businessmen Survey 1990*

FT SURVEYS

NOTICE TO THE HOLDERS OF
CME FINANCE, N.V.
(the "Issuer")
and
CME CAPITAL, N.V.
(the "Issuer")
Step-Up Coupon Participating Bonds due December 14, 1999
(the "Bonds")
NOTICE OF BONDHOLDER MEETING

Notice is hereby given that a Meeting of Holders will be held on Thursday, November 19, 1992 at 9:00 a.m. (Tokyo time) at:

Ginza Tobu Hotel
Fuyo Room, 2nd Floor
6-14-10 Ginza, Chuo-ku
Tokyo

The Issuers have requested a meeting of Holders, pursuant to the Indentures, for the purpose of responding to a letter from the Borrower under the Mortgage Note and to establish a mechanism for further communication with the Borrower.

By: CME Finance, N.V.
CME Capital, N.V.

UNITED STATES TRUST COMPANY OF NEW YORK, *as Trustee*

Dated: November 17, 1992

YORKSHIRE BUILDING SOCIETY

£165,000,000
Floating Rate Notes
Due 1994

(Comprising £100,000,000 Floating Rate Notes due 1994 issued on 10th February 1989 and a further £65,000,000 Floating Rate Notes due 1994 issued on 14th June 1991 consolidated and forming a single series therewith).

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three months interest period from (and including) 16th November 1992 to (but excluding) 16th February 1993 the Notes will carry a rate of interest of 7.35 per cent. per annum. The relevant interest payment date will be 16th February 1993. The coupon amount per £50,000 Note will be £926.30 payable against surrender of Coupon No: 16.

Hambros Bank Limited
Agent Bank

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 17.11.92: Pool purchase price £/MWh	Final Prices for Trading on 23.10.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.56	17.69	17.69
0100	24.50	17.72	17.72
0130	24.50	17.85	17.86
0200	24.50	22.59	24.75
0230	23.00	27.99	30.32
0300	23.00	27.99	30.29
0330	23.00	27.99	30.30
0400	18.11	24.88	27.12
0430	17.72	17.85	17.85
0500	17.82	17.72	17.72
0530	18.29	17.70	17.70
0600	18.52	17.74	17.74
0630	18.64	18.15	18.15
0700	23.28	23.41	25.68
0730	23.28	28.12	30.54
0800	23.39	29.79	32.26
0830	23.73	31.21	33.72
0900	23.74	31.47	34.04
0930	23.74	31.35	33.92
1000	32.29	31.29	33.86
1030	32.26	31.11	33.61
1100	33.43	28.68	31.01
1130	33.44	28.63	30.95
1200	33.44	28.53	30.84
1230	33.44	28.38	30.65
1300	23.74	28.20	30.44
1330	23.74	28.04	30.26
1400	23.74	25.39	27.54
1430	21.16	25.38	27.53
1500	21.15	25.38	27.53
1530	23.74	25.38	27.54
1600	28.42	25.40	27.56
1630	39.04	25.44	27.60
1700	57.39	28.19	30.43
1730	59.35	30.38	32.67
1800	49.12	30.79	33.19
1830	33.91	36.50	38.56
1900	28.36	36.00	38.62
1930	27.96	35.56	38.11
2000	25.60	28.19	30.43
2030	23.73	25.38	27.64
2100	23.37	23.84	25.97
2130	23.31	23.52	25.68
2200	23.31	23.62	25.68
2230	23.28	23.41	25.59
2300	20.87	23.41	25.61
2330	18.50	17.82	17.82
2400	18.22	17.74	17.74

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0632-458789 between 8:30am and 6:15pm Monday to Friday.
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الأصل

Former Bloomingdale chief buys Conran's Habitat

Storehouse sells US arm

By Nikki Tait in New York and Richard Gourley in London

ALMOST A year to the day after retiring as chairman of Bloomingdale's, the up-market *North American department* store chain, Mr Marvin Traub is to buy Conran's Habitat in the US, founded by one of the UK's fallen retail stars.

Storehouse, the retail group which owns Conran's Habitat through The Conran Stores Inc, will receive a nominal price from MTLG, a vehicle owned partly by Mr Traub.

The Traub consortium said yesterday that it would keep the Conran name, but planned to re-merchandise the stores, possibly bringing in international designers and re-instating the catalogue operation.

When in October *Storehouse* announced its break-up it said closure or sale of Conran Stores would lead to a £25m extraordinary provision. Last year Conran Stores incurred a £7.7m loss on sales of £29m.

The sale substantially completes the dismantling of the retailing conglomerate built up by Sir Terence Conran in the 1980s. In October, Storehouse sold Habitat to the holding company of Ikea, the Swedish retailer, while Sears bought the Richards fashion chain.

Storehouse expects to have no net debt by the year-end. The £108m proceeds of the Habitat and Richards sales will be used to develop the remaining BhS and Mothercare chains.

The 19 Habitat stores in the US are based mainly on the East Coast with an image which is already slightly upmarket of their namesake stores in the UK.

Mr Traub, a New Yorker, *started in the retail business* with summer jobs at Macy's and Abraham & Straus, two department store chains, and then spent a year at Alexander's, the now-defunct New York-based retail group.

He moved to Bloomingdale's, where, after a succession of merchandising posts, he became president in 1969. He later became a director of Federated Department Stores, Bloomingdale's parent, which was taken over by Canada's Campeau, via a highly-leveraged deal, in the 1980s.

Campeau put Bloomingdale's up for sale in 1989, but Mr Traub's efforts to buy the chain were unsuccessful. Bankruptcy for Campeau and its various retail operations followed, although a relatively speedy reorganisation allowed Federated, still incorporating the Bloomingdale's stores, to move out of Chapter 11 proceedings earlier this year.

Since leaving Bloomingdale's, Mr Traub has formed his own firm, Marvin Traub Associates, a retail consultancy business. He has been joined by Mr Lester Gribetz, as executive vice-president. Mr Gribetz, former vice-chairman of Bloomingdale's, worked with Mr Traub for about 30 years at the department store group, and also owns an interest in MTLG.

Nestlé buys Clarke ice-cream business

By Guy de Jonquières, Consumer Industries Editor

NESTLE, the world's largest food manufacturer, has bought most of the assets of Clarke Foods, the UK's second largest ice-cream producer, which went into receivership last month.

The Swiss group's purchase, from receivers Robson Rhodes, marks its first move into the ice-cream market in the UK.

The value of the deal was not disclosed, though Nestlé said it was not assuming any of Clarke's debts, totalling about £25m.

The assets acquired include four factories and the ice-cream brands of the Lyons Maid business, such as Fiesta, Zoom, Fab and Mivvi.

Clarke bought Lyons Maid *for £12m last year but paid* only £7.5m of the price before going into receivership.

Mr Peter Blackburn, chairman of Nestlé's UK subsidiary, said the brands had a strong *heritage and a great potential* for development.

Nestlé's immediate priority was to pick up the running of the business and ensure continuity of supply.

The company is due to meet Clarke's management today and will spend several weeks carrying out a detailed study of the business.

Clarke accounted for an estimated 13 per cent of total UK ice-cream sales of about £800m last year. Its market share today is far lower, following production problems which prevented it from achieving more than a quarter of its planned sales last summer.

Since a severe shortage of working capital caused the company to be placed in receivership, its workforce has been *cut from about 600 to 300 people.*

The company has factories in Greenford, Stourbridge, Telford and Liverpool and recently invested modern production *equipment. It also has eight* sales offices.

Nestlé has ice-cream operations in France, Portugal, Spain, Switzerland, the US, Latin America and North *Africa. It formed a joint venture* earlier this year with Dairy Farm of Hong Kong to make ice-cream in China.

Acquisitions provide lift at Jarvis Porter

By Maggie Urry

A JUMP in interim profits at Jarvis Porter, which prints labels for the spirits, toiletries and pharmaceutical industries, from £1.01m to £1.85m pre-tax, pushed the shares 15p higher to 175p.

Profits in the six months to August 31 benefited from acquisitions, improved margins and a swing from interest payable to receivable.

Mr Paul Jarvis, chairman, said he was pleased with the results. He said Mr Richard Brewster, the chief executive who joined the group from David S Smith, the paper and *packaging group, in May last* year, had brought Jarvis Porter greater opportunities to expand by acquisition.

The shares are well above the 138p price at which the *group placed shares in July to* finance a £11.4m acquisition of businesses from James Wilkes. That deal went through in August, and the businesses were owned for three weeks of *the period. The results also* included a full contribution from Holmes McDougall, bought in June last year for £7m.

Sales rose 23 per cent to £16.4m and operating profits 60 per cent to £1.84m. Operating margins were 11.3 per cent, compared to 8.6 per cent, and 10.2 per cent for the 1991-92 year.

Net interest receivable was £12,000 compared to £142,000 payable. Earnings per share rose 65 per cent to 5.1p and the interim dividend is increased from 1.4p to 1.5p.

● COMMENT

Fans of Mr Brewster who bought shares in Jarvis Porter after his move there last year will feel justified by these *results. Already his first acquisition* is contributing well and the second appears promising too. More are to be expected, although Mr Brewster is in no great rush and may be less *ambitious in the size of deal* than he was at David S Smith. Specialisation and solid finances are still to be the key words at Jarvis Porter. Current year forecasts of about £4.5m *pre-tax (up from £2.19m)* suggest a p/e of 16.4. This might look a bit steep but will still attract dedicated followers.

IDV to take 30% nip of sherry

By Angus Foster

INTERNATIONAL Distillers & Vintners, the drinks arm of Grand Metropolitan, is to take a 30 per cent stake in Gonzalez Byass, the Spanish sherry and brandy company.

It is understood the stake will cost about £40m, valuing Gonzalez at more than £120m.

The deal gives IDV access to some of Spain's best known drinks brands, including Tio Pepe sherry and Soberano, a Spanish brandy. Gonzalez's fino sherry business also ties with IDV's Croft Original pale cream sherry. "There is almost a perfect fit," according to Mr Edwin Beckett, director of IDV corporate affairs.

Under the agreement, which is due to be completed later this month, IDV will use its international distribution network to gradually start distributing Gonzalez's main brands in markets outside Spain. Gonzalez will take over the Spanish distribution of Cinzano, the Italian vermouth and wines company where IDV took full control in January.

The distribution agreement does not include Japan and Switzerland, where Gonzalez will retain its existing distributors. IDV is also unlikely to assume UK distribution in the "immediate" future.

Links between the two companies go back to earlier this century when two members of the Gilbey family, former owner of IDV's Gilbey's gin, married members of the Gonzalez family.

Gonzalez reported sales of *Pta20bn (£116m) last year.* Annual sales of Soberano and Tio Pepe total 1.6m and 650,000 cases respectively.

Mr Beckett said Gonzalez wanted IDV to help build its *brands into international* names. IDV would consider lifting its stake in Gonzalez if the partnership worked.

IDV will appoint two directors to Gonzalez's board *while Mr Carlos Gonzalez,* chairman, will join the board of IDV Europe.

Waste Management ahead 62% to £40m

Waste Management International, the UK-quoted arm of Waste Management of Chicago, yesterday reported a 62 per cent increase in third quarter profits on sales ahead 41 per cent.

Pre-tax profits for the three months to end-September rose from £24.7m to £40.1m

Third quarter earnings per share rose from 4.7p to 6.1p (12.5p for nine months).

Brit Steel £51m loss as recession deepens

Andrew Baxter considers the figures for the first half

THE DEEPENING recession in the world steel market pushed British Steel into a £51m pre-tax loss for the six months to October 3, and forced the privatised group to pass its interim dividend.

The deficit was at the lower end of analysts' expectations, and compared with a £19m profit last time.

The decision not to pay an interim (3p) was taken reluctantly, the company explained, and reflected further recent deterioration in trading conditions and the weak outlook both for demand and prices.

As for the final, the company will reconsider the position in June and recommend the "appropriate" level. In the absence of unforeseen circumstances, this will be no less than 1p (1.5p.)

The company warned, that justifying a final significantly higher than 1p will require an improvement in trading prospects, which in turn will depend on prices. The total dividend in 1991-92 was 4.5p.

First-half turnover fell from £2.28bn to £2.21bn, while the trading loss was £49m (profit of £30m). The pre-tax loss was struck after a £2m exceptional debit comprising redundancy and other rationalisation costs.

A £108m net cash flow outflow, however, on the exceptional items contributed significantly to a £185m increase in net borrowings to £196m, compared with £11m at the end of last year.

The net loss was *£48m (£13m* profit), and losses per share were 2.4p. This compared with earnings of 0.65p last time and losses of 1.7p for the full year.

Cost reduction and plant rationalisation measures continued during the first half. Employment in the UK fell by a further 3,000 to 41,800 people, due mainly to the closure in June of the Ravenscraig works in Scotland. Overseas employment stayed constant at 4,700.

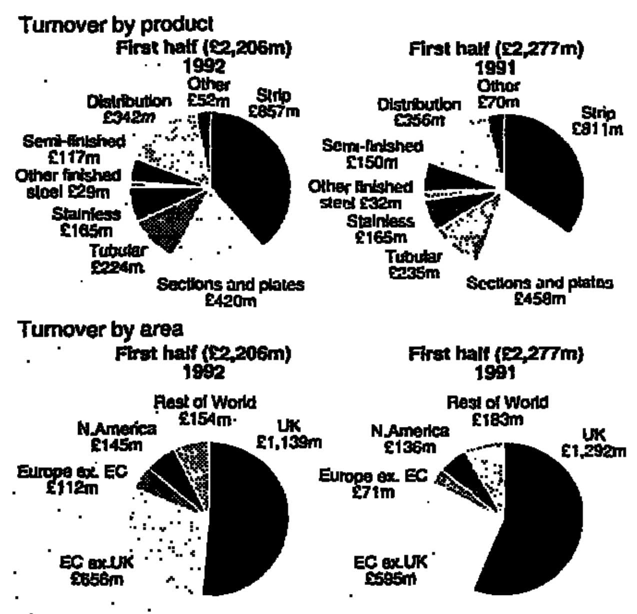
A geographical breakdown of the results showed that the decline in the UK market was the principle reason for the fall in turnover. Domestic sales dropped from £1.29bn to *£1.14bn.*

In contrast, turnover in the European Community, excluding the UK, rose from £595m to £656m, while US turnover jumped from £90m to £105m. Turnover in Asia slipped from £132m to £121m.

In volume terms, the company sold 5.8m tonnes of products in the first half, up from 5.7m tonnes a year earlier. For all of 1991-92, sales volume was 12.2m tonnes.

The company said late last month that it would cut its "liquid steel make" by up to 20 *per cent or 600,000 tonnes in* the current quarter, compared with the same quarter last year, to bring production in line with demand.

British Steel



BOC resilient to slowdown

By Paul Abrahams

ALTHOUGH BOC's pre-tax profits of £341.9m were at the lower end of analysts' expectations, they nevertheless dem*onstrated the resilience of the* group's operations to the slowdown in the world economy. Mr Patrick Rich, chairman, expressed pleasure at the figures. "Our results show our *ability to ride out difficult* economic conditions," he said.

The gases business demonstrated modest growth thanks to relentless efforts to improve operating efficiencies and reduce costs, *said Mr Rich.* Turnover increased from £1.96bn to £2bn, while operating profits rose from £261.5m to £287.4m. Adverse exchange rates reduced profits by £6m. *At constant exchange rates,* turnover would have increased 4 per cent and operating profit *12 per cent.*

Sales volumes of gases in the US and Australia were flat. A slowdown of the rapid growth in the north Pacific region, particularly Japan, affected *results.*

Demand for healthcare products had been less directly affected by economic conditions, although some hospitals had delayed purchasing condi*tions, said Mr Rich.*

Healthcare turnover increased from £493m to £513m, but operating profits fell 9 per cent to £98.9m. This was partly caused by additional research and development costs for Delta Biotechnology

The pharmaceuticals operations enjoyed a particularly successful year because of improved volumes and prices *in the anaesthetics business*

Vacuum and distribution operations, mostly related to *clean-room technology in the* semi-conductor business, were badly hit by depressed capital investment. It had been a difficult year said Mr Rich. Turnover was constant at £282m, *but operating profits declined* 40 per cent to £19.7m. Mr Rich said next year promised to be better, even without an improvement in general economic activity.

BOC's European turnover increased from £826.2m to £866m, while operating profits fell from £141.6m to £135.4m. Mr Rich said the Edwards vacuum subsidiary and additional *R&D spend at Delta biotechnology* had reduced profitability. Industrial gas results had improved.

Mr Rich warned any recovery would be slow. However, *the group had planned accordingly.* "We are far from the end of cost-cutting," he said.

Chill wind of change at Mirror

Raymond Snoddy on the Maxwell culture's decline

NEWSPAPER editors live by the sword and usually die the same way. A dip in circulation, a new proprietor or chief executive with different ideas is usually enough to swell the ranks of former national newspaper editors.

The abrupt removal of Mr Richard Stott, the editor of the Daily Mirror as his replacement Mr David Banks was flying in from Sydney, where he had edited the Telegraph Mirror – has much wider significance.

It is the latest and most dramatic example of a revolution at Mirror Group Newspapers.

The revolution is designed to purge those allegedly tainted by "the Maxwell culture" – though many people remain from the Maxwell era – and cut costs and push up profits.

The impetus for change has come from the group of banks that effectively own 54 per cent of MGN, held as collateral for loans made to the private Maxwell interests now in administration.

The banks have been persuaded that greater savings are possible and that editorial costs at the left-of-centre popular newspaper group have survived in their pre-Wapping purity.

The late Robert Maxwell, the argument goes, sorted out the printers with consummate toughness but was soft on editorial because he believed he was a journalist too.

Mr Banks stressed the importance of "commercial dynamism " as he took over his new paper and there was an immediate ban on casual shifts.

MGN executives say several hundred *casual shifts a week are* worked.

In future the paper will be brought out largely by its staff journalists.

Ironically, the process of change almost certainly stemmed from a consortium being put together by Hambros Bank to bid for MGN, a consortium that never actually got anywhere.

The consortium included Mr David Montgomery, now chief executive of MGN, and Lord Hollick, the Labour peer, and *chief executive of MAI the media and* financial services group and a non-executive at the Mirror.

Mr Montgomery has been talking to Sir Robert Clark, MGN chairman, for months and shadowing everything the group did.

Lord Hollick (left) and MGN chief executive David Montgomery: life after Maxwell

The banks want to give themselves the widest range of options to either sell out at a later stage to a single buyer, or sell their stake in tranches to institutions.

Last month MGN announced pre-tax profits of £15.3m for the six months to end-June.

Popular newspaper sales have been soft and in *the depths of a recession, MGN is* believed to be £1m behind budget.

Some bankers are already anticipating a period – sometime in 1994 – when the shares could "suddenly start to motor."

After new printing plants are successfully installed at the Scottish Daily Record and Evening Mail, group debt will fall dramatically and cash flow increase.

At present the Scottish titles have to turn away advertising during busy times *of the year because they are limited to 48* pages.

"He [David Montgomery] is doing exactly what needs to be done," said Mr Derek Terrington, publishing analyst at stockbrokers Kleinwort Benson. Mr Terrington believes the share price could reach 130p by the end of next year, ahead of the original Maxwell offer price of 125p.

The analyst believes the banks will wait until the share price is between 125p and 150p before they get out. Some banks may not want to wait so long.

Daily Mirror journalists take a more *apocalyptic view of the changes, saying* yesterday they amounted to "the beginning of the end of the Daily Mirror as we knew it."

Although assurances have been given that the Daily Mirror will continue to try to help the election of a Labour Government, some of the old guard fear an element of idealism will inevitably be lost.

Lord Hollick said yesterday any fears that the Daily Mirror's *support for the* Labour Party would be diminished were totally misplaced.

"The task now is to have a strong and highly successful newspaper which supports the Labour Party and which can be independently owned," Lord Hollick said.

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Currency move gives bonus to British farmers

By David Gardner in Brussels

EUROPEAN COMMUNITY agriculture ministers agreed yesterday to devalue the "green pound" by 7½ per cent. The move, which has full UK assent, will increase prices paid to British farmers and is intended to choke off speculation between varying prices paid for farm produce as a result of the departure of sterling from the exchange rate mechanism.

Following sterling's flotation after September 16, a "monetary gap" of 14.4 per cent has opened between the real and "green" rates for the pound.

The danger of speculation arose from the monetary compensatory amount system, which is due to be phased out from January 1 as a result of the inception of the border-free single market or 1992 programme. The MCA for the UK was 12.9 per cent; from November 19, when the green pound devaluation comes into effect, it will be 4.9 per cent.

Without the change, food exporters could have shipped produce into the UK, claimed the nearly 13 per cent subsidy going in, and re-exported the food after January 1 once the MCA regime had been removed, thereby escaping the equivalent levy going out.

The green pound devaluation could knock on into lower food prices for the consumer, according to a European Commission agriculture official.

The abolition of the complex agrimonetary system of MCAs from January will still leave "green" currencies in place. The current proposal of the commission, still to be approved by the council of ministers, is for a maximum "monetary gap" of 4 per cent.

Cuban nickel output well below target

By Ronald van de Krol in Amsterdam

CUBA'S OUTPUT of nickel is expected to total just 35,000 tonnes this year, well short of an original target of 50,000 tonnes, because of production problems caused by the country's changed relationship with the former Soviet Union and the countries of eastern Europe.

Spot sales of Cuban nickel will be halted immediately, but all contract sales will be fulfilled at the agreed time, according to Nickel Refining and Trading (Niref), the Rotterdam-based agent of Cubaniquel, the state-owned nickel producer.

Niref said it was too early to predict the outlook for 1993 production.

Cubaniquel has been hurt by the drying up of vitally-important supplies of capital goods, oil and raw materials such as ammonia and sulphur from the former Soviet Union and the rest of the former Soviet bloc.

Most of Cuba's refineries were built by former allies in eastern European and the former Sovuet Union, which once accounted for 80 per cent of Cuban foreign trade. The radical change in economic and political relations since the collapse of communism in eastern Europe has made it difficult for Cuba to gain access to spare parts and other equipment needed to maintain its nickel output.

"Although support has been received from western countries and technical improvements have recently been commissioned for one of the three refineries, production problems could not avoid, however, that the production target of 50,000 tonnes of nickel content forecast by Cubaniquel in February will not be reached this year," Niref said.

Coffee pact chief calls for more co-operation

By David Blackwell

COFFEE EXPORTING countries will have to co-operate much more than in the past if a future international agreement is to be successful, African coffee producers were told yesterday.

Mr Alexandre Beltrao, chief executive of the International Coffee Organisation, said profound differences had existed in the domestic policies of coffee producing countries. He cited the level of prices to growers, financing, stock policy, quality standards, and marketing.

This had led to permanent tensions, he said in a statement to the Inter-African Coffee Organisation yesterday. "If such tensions and disagreements are to be avoided or minimised, some co-ordination of policies on price, financing and marketing needs to be established with guidelines agreed and monitored."

Mr Beltrao was unable to attend the four-day African meeting yesterday as next week sees a crucial meeting of the ICO in London. Delegates from both producer and consumer countries will be meeting to discuss a renewed coffee agreement at a time when world prices have started to recover from 20-year lows struck in August.

Yesterday the January robusta contract rose $21 to a fresh nine-month high of $980 a tonne, partly on the back of Friday's sharp rise in New York after talk that Colombia's crop could be 10 per cent down on the 1991-92 level of 17.5m bags following of disease, drought and power cuts.

World prices more than halved after the ICO export quota system collapsed in July 1989. This had cost African producers US$3.2bn in the past three years, Mr Beltrao said. "To put these figures into perspective net transfers. . . by the World Bank to all African countries south of the Sahara (not just coffee producers) in the three fiscal years to 1990 to 1992 totalled $2.9bn, i.e. less than the losses suffered by coffee producers alone."

The last ICO meeting at the end of September agreed on a definition for a universal quota system and last month a working group drew up draft rules for a system of controls. Progress could be maintained next week if producing countries were driven not merely by low prices, but by "a disposition to work jointly in a new framework that will eliminate the pitfalls of the past and build up a healthy worldwide coffee industry protected from the vagaries of a speculative market," Mr Beltrao said.

● The Brazilian Coffee Committee, which represents the private sector, has proposed that the government sell coffee stocks when the internal price reaches $90 a bag (60 kg), $20 above the present level, said Mr Suelly Evandro Amarante, head of the coffee producers' council, said yesterday, reports Reuter from Rio de Janeiro.

Flat tyre demand takes the bounce out of rubber

RUBBER INDUSTRY officials see little prospect of an early bounce in the world market for the commodity, Reuter reports from Singapore

"Unless there is very strong demand, there is nothing in today's economy that is going to make you believe there is going to be a very strong immediate recovery," says Mr Mark Blitstein, director of purchasing (commodities) at the Goodyear Tire and Rubber Company, who is attending the 34th assembly of the International Rubber Study Group here. Private companies and government bodies are participating in the six-day meeting.

Mr Blitstein says he expects tyre demand in the US to grow at between 3 and 5 per cent in 1993, marginally up on 1992.

"European demand for tyres will be flat at best while Japanese demand is likely to be smaller," another delegate forecasts. Prices are showing signs of bottoming but the outlook remains clouded by world surplus, officials say.

Tyre manufacturers consumed about 70 per cent of the world's natural rubber production of 5.34m tonnes in 1991. Goodyear alone consumed an estimated 400,000 tonnes.

Where miners need a head for heights

Kenneth Gooding on the problem of altitude sickness in the Chilean high Andes

THEY CALL it puna in Chile, scoroche in Peru. The mining industry will have to learn new tricks to live with it.

Puna is the catch-all term for the very many symptoms caused by what English speakers call altitude sickness. It will have a profound impact on the way mining companies operate in Chile, a country that many see as the most attractive in Latin America for exploration and development.

Much of that country's minerals treasure is locked in the high Andes. Some of the best mines and projects are located above 2,800 metres (9,000 feet), the level at which most people begin to feel the onset of puna symptoms.

In no particular order these mines include: Coldelco's Andina and Salvador copper operations; Exxon's Los Bronces copper project on the same ore body as Andina; La Coipa gold project (Placer Dome and TVX Gold) and Bema Gold's Refugio project nearby, both in the so-called Marikunga gold district. There is Cominco's Quebrada Blanca copper project. Billiton, Falconbridge and Chevron are partners in the Collahuasi copper project (but Chevron is selling its stake to Minorco). RTZ owns Cerro Colorado, another copper project.

Homestake has the El Heuso project, Cominco the Lobo project and Cocar owns Cancan, all seeking gold.

Chile also boasts – for a short while longer at least (its owners Billiton, Northgate and Citibank intend to close it at the end of this year) – the world's highest operating gold mine, Choquelimpie, in the mouth of a dead volcano at 4,825 metres (15,777 feet).

Billiton is part of the Royal Dutch/Shell group and Shell Chile is helping to finance a study of the effects of high altitude on miners – research that will be of immense value as activity builds up in that country.

At 4,825 metres (15,777 feet) Chile's Choquelimpie is the world's highest operating gold mine

The air above 2,800 metres is generally described as "thin". It contains the same proportions of oxygen, carbon dioxide and nitrogen as at sea level but with increasing altitude there is a decrease in atmospheric pressure. The decrease is gradual and proportional up to about 2,800 metres, but rapidly and disproportionately accelerates as higher altitudes are achieved.

When high altitude-low pressure air is breathed into lungs adapted to the higher pressures of lower altitudes, transfer of oxygen from air to blood is reduced and the body experiences oxygen depletion. The body is then forced to work harder to take in extra oxygen and in doing so slips back into oxygen deficit again, creating a vicious circle.

The symptoms of puna can include one or all of the following (and the list is not exhaustive): headache, gastric problems, nausea, heart arrythmia, listlessness, vomiting, diarrhoea, lapse of memory, anxiety attacks, feelings of insecurity, loss of appetite, insomnia, shortage of breath, muscular cramps, indecisiveness, lack of motivation, obsessive behaviour, persistent colds, sinusitis, sore throat, painful eyes and loss of vision, fevers and inability to concentrate. All of these are particularly unwelcome on mining sites, where so much heavy equipment is used and operators must feel on top of the job.

The impact of puna is different for each individual. Mr Jim Platt, Billiton's chief geologist on the Collahuasi project for four years, has produced a paper on altitude sickness based on his personal experiences. He says there is no way of knowing if an individual needed for the current $40m exploration programme at Collahuasi will be able to work at that altitude except by taking each one there to see what happens.

"There seems to be no pattern. Extremely fit and active people have been known to suffer badly while some overweight, heavy-smoking types feel no effects," he says.

Mr Platt points out that to guard against the short- and long-term impact of puna, companies in Chile have begun to make use of a "buddy" system. This involves everyone looking out for the health and condition of everyone else, spotting and signalling any observed deviations from the norm or onset of puna symptoms.

This system promotes teamwork and safety-consciousnes. Mr Platt suggests the buddy system is particularly important for detecting potentially dangerous psychological symptoms, such as anxiety attacks, feelings of paranoia and insecurity, a sense of entrapment, intense claustrophobia, obsessive thinking and the edge of a nervous breakdown.

By the end of this year the study sponsored by Shell Chile and carried out by the Catholic University of Santiago's cardiology department should be available to throw fresh light on this subject.

Among other things, researchers have been checking the Choquelimple employees at the mine, also at Putre which is 1,100 metres lower and where the mining camp is based, and finally in Arica, a sea-level town, in an attempt to identify any with heart problems or others potentially at risk.

Mr Patricio Palma, Choquelimpie's safety officer, says: "We want to know more about how hearts and lungs function at high altitudes to prevent problems developing, possibly with the help of drugs". It might also be necessary to change working patterns at the mine, he points out.

Fortunately, the cure for puna is simple: the patient is taken to a low altitude as quickly as possible. In severe cases time may be vital. The cure is then so rapid and so complete that some of the afflicted immediately want to return to high altitude, unwilling to believe that they ever had difficulties.

Mr Platt insists, however: "They should under no circumstances be permitted to make a return".

Mining companies wanting to establish a fully-adapted high-altitude crew can expect that for every 100 people selected, 30 to 35 will drop out quickly. Of those, two or three are likely to be very ill indeed.

The 65 to 70 who remain may also be subject to significant attrition in the medium term either because they cannot put up with the working environment or as a result of delayed puna symptoms.

Mr Platt points to the bottom line for many mining companies in Chile: "When you are planning to staff a high-altitude project, it is likely that twice the required number of personnel will eventually have to be selected to ensure that basic [mining] needs are met."

MIM to develop zinc/lead/silver mine

By Kevin Brown in Sydney

MIM HOLDINGS, the Australian resources group, yesterday announced plans to develop its MacArthur River zinc/lead/silver project in the Gulf of Carpentaria region of the Northern Territory.

MIM said that the A$250m (£112m) project had been approved following a two-year feasibility study carried out on behalf of the company and a group of four Japanese joint-venturers which collectively own 28 per cent of the project.

Mr Norm Fussell, MIM managing director, said the group expected to extract about 1.5m tonnes of ore a year from an underground mine at MacArthur River, producing about 350,000 tonnes of mixed concentrate.

The concentrate is expected to contain about 160,000 tonnes of zinc, 45,000 tonnes of lead and 1.6m ounces of silver. Design work is to begin immediately and construction is expected to start early in 1993.

Mr Fussell said the feasibility study suggested that world demand for zinc would increase through the 1990s, and that MacArthur would be profitable during cyclical downturns.

The McArthur River deposit was discovered by MIM geologists in 1955, but development was regarded as uncommercial until the costs of extraction were significantly reduced as a result of recent technological advances.

Mr Fussell said the Japanese joint venturers "share our confidence not only in McArthur River and Australia, but also in the strategy of investing in high quality zinc mining and processing".

The joint venturers are Nippon Mining (15 per cent), Mitsui (5 per cent), Mitsubishi Materials Corporation (5 per cent) and Marubeni (3 per cent). The project will be managed by MIM.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices led a general rally from morning lows at the London Metal Exchange, but aluminium nickel and tin prices still finished down on the day. Copper's early fall had found support, dealers said, and an upturn in the afternoon was *encouraged by a firmer tone* for the metal on the New York Commodity Exchange (Comex). Sterling's weakness made the crucial difference, however, turning a $9 fall for three months metal into a £23.50-a-tonne rise from Friday's kerb (afterhours) close. **ZINC** followed copper, but the market was thin as buyers disappeared at the first signs of selling interest. At the close three months zinc was up only $6.50 on the day at $1,045 a tonne and by the end of kerb trading it was showing a $4 fall from the same point on Friday. **NICKEL** struggled to maintain its rally, even after news of the expected setback to Cuba's 1992 production (see story above). Three months nickel closed on the LME at $5,415 a tonne, down $82.50 from Friday.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Jan)		+ or -
Dubai	$17.25-7.30u	+.175
Brent Blend (dated)	$19.20-9 25	+ 225
Brent Blend (Jan)	$19.20-9.30	+0.15
W.T.I (1 pm est)	$20.35-0.40u	+0.10

Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$206-208	
Gas Oil	$186-188	+1.5
Heavy Fuel Oil	$89-91	
Naphtha	$186-188	-3
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$335 75	-0.70
Silver (per troy oz)♣	380.5c	+1.0
Platinum (per troy oz)	$363.75	+0.10
Palladium (per troy oz)	$94 90	+0 66
Copper (US Producer)	100 0c	-0.5
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	14.36r	-0.09
Tin (New York)	287 5c	-2.0
Zinc (US Prime Western)	62 0c	
Cattle (live weight)†	110.90p	+0.17*
Sheep (live weight)†♣	74.46p	+1 48*
Pigs (live weight)†	89.44p	-2 82*
London daily sugar (raw)	$223.0w	-1 6
London daily sugar (white)	$258 0w	+3.0
Tate and Lyle export price	£255.5	+0.5
Barley (English feed)	£137.0t	
Maize (US No 3 yellow)	£146 0	
Wheat (US Dark Northern)	Unq	
Rubber (Dec)♥	63.25p	+0.50
Rubber (Jan)♥	63 25p	+0 50
Rubber (KL RSS No 1 Dec)	222 5m	-1 0
Coconut oil (Philippines)§	$607 5y	
Palm Oil (Malaysian)§	$418.0	
Copra (Philippines)§	$332 5	
Soyabeans (US)	£169 0z	+3.0
Cotton "A" index	52 86c	+0.70
Wooltops (64s Super)	414p	-2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg t-Jan/Mar. y-Jan/Feb u-Jan w-Dec/Jan. z-Nov/Dec †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg ♣Sheep prices are now live weight prices

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	199 00		198.00 193 00
White	**Close**	**Previous**	**High/Low**
Mar	257.00	258.30	258.20 256.10
May	259.50	260.70	260.90 259.70
Aug	265 50	266.00	265.00 264 90
Oct	253.50	254.70	253.50 252.90

Turnover Raw 2 (4) lots of 50 tonnes. White 774 (1323) Paris- White (FFr per tonne): Mar 1402 87 May 1429.70

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jan	19.27	18.98	19.30 18.89
Feb	19.25	19.07	19.30 18.92
Mar	19 24	19.03	19 25 19 13
May	19.03	18.97	19 04 19.03
Jun	18 95	18.98	18.95
IPE Index	18 98	19.24	

Turnover 13380 (33945)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Dec	183 00	181.75	183.50 179.25
Jan	184.50	183.00	184.50 180.50
Feb	184 50	183 00	184 50 181.50
Mar	181 00	180 00	181.25 178.50
Apr	176.25	175 50	177.00 174.50
May	174 25	174.00	174.75 172 75
Jun	172.50	172.00	173.50 171.00
Jul	174 75	174.25	173 50 172.25
Aug	176.25		173.75

Turnover 10967 (12866) lots of 100 tonnes

TEA

There were 17,356 packages for the day, reports the Tea Brokers' Association. The strong demand continued. Landed Assams met keen competition and the majority ruled firm to 10p dearer. Bangladesh teas again sold well, advancing 2-4p. Bright east Africans were strong and considerably dearer. Mediums, which had opened 6-8p higher, closed irregular but about steady on balance. Offshore' strong competition with prices up by 3-6p. The highest price realised this week was 203p for a Kenya pd Quotations: quality 180p, good medium 160p, medium 137p, low medium 100p.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	726	732	737 726
Mar	754	758	763 752
May	771	774	780 770
Jul	787	791	790 787
Sep	803	807	806 803
Dec	824	829	830 823
Mar	846	847	853 845
May	860		870

Turnover: 5541 (6066) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 13 790.26 (771.79) 10 day average for Nov 16 767.51 (761.68)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Nov	960	926	950 941
Jan	980	959	985 972
Mar	995	974	1000 982
May	988	966	990 973
Jul	996	973	995 980
Sep	1005	985	993

Turnover:4333 (5354) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 13: Comp. daily 58.39 (56.96) 15 day average 56.08 (55.84)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	65.0	62.9	65.0
May	70.0		70.0 69.0

Turnover 203 (29) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	144.80		144 80

Turnover 100 (30) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Nov	1245	1246	1250 1245
Dec	1265	1265	1267 1265
Jan	1299	1300	1306 1299
Apr	1315	1309	1315
Jul	1167	1160	1167
Oct	1340	1335	1340
BFI	1188	1180	

Turnover 160 (233)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Nov	131.90	131.20	131.90
Jan	133.00	132.20	133.45 132.75
Mar	135.60	135.05	136.00 135.70
May	138.65	137.80	138.85 138.30
Sep	107.00	106.90	107.00
Nov	109.00	108.75	109.00
Barley	**Close**	**Previous**	**High/Low**
Nov	129.75	127 60	129.75 129.75
Jan	131.65	130.35	131.65 131.00
Mar	134.50	133.00	134.55 134 00

Turnover Wheat 301 (857), Barley 449 (218). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Mar	105.0		104.5

Turnover 2 (11) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 82,505 lots
Cash	1147-8	1151-52	1148.5	1146.5-7		
3 months	1171-2	1175-76	1172/1168	1170.5-1	1172-3	184,257 lots
Copper, Grade A (£ per tonne)						Total daily turnover 66,558 lots
Cash	1402-3	1384.5-85.5	1387.5	1387.5-8		
3 months	1429-30	1407-7.5	1431/1416	1416-7	1427-8	156,581 lots
Lead (£ per tonne)						Total daily turnover 10,047 lots
Cash	297-8	292.5-3.5	293.5/293	293-3.5		
3 months	309-10	304.5-05	311/304.5	305-5.5	309.5-10	26,296 lots
Nickel ($ per tonne)						Total daily turnover 19,650 lots
Cash	5330-5	5425-30	5325/5320	5325-30		
3 months	5410-20	5485-500	5485/5370	5395-400	5405-10	38,716 lots
Tin ($ per tonne)						Total daily turnover 3,036 lots
Cash	5760-70	5780-800	5780	5770-80		
3 months	5810-5	5820-40	5820/5790	5810-20	5800-10	10,404 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 31,536 lots
Cash	1024.5-5	1018.5-19.5	1016/1015	1015-5.5		
3 months	1044-6	1038-39	1044/1035	1035-5.5	1040-1	78,332 lots

LME Closing £/$ rate: SPOT: 1.5185 3 months: 1.5089 6 months: 1.5005 9 months: 1.4923

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	335.60-335.90	
Opening	336.70-337.00	
Morning fix	336.00	220.472
Afternoon fix	335.40	219.718
Day's high	336.80-337.10	
Day's low	335.30-335.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	0.61	6 months	1.43
2 months	0.84	12 months	1.97
3 months	0.94		

Silver fix	p/troy oz	US cts equiv
Spot	247.35	376.20
3 months	251.65	379.60
6 months	255.45	382.90
12 months	263.00	390.70

GOLD COINS

	$ price	£ equivalent
Krugerrand	335.00-338.00	219.00-221.00
Maple leaf	345.10-347.35	-
New Sovereign	79.00-82.00	52.00-54.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1125	35	69	4	14
1175	8	39	27	33
1225	3	19	69	62
Copper (Grade A)	**Calls**		**Puts**	
2150	24	68	30	61
2200	10	45	64	76
2250	3	26	108	110
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
950	49	79	19	34
1000	23	52	40	37
1050	9	33	39	88
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	37	73		19
725	8	58	6	29
750	1	44	24	40
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
1900	54	76	38	56
1950	36	61	64	
2000	16	33	98	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	333.9	335.3	334.7	334.7
Dec	334.0	335.4	336.0	333.7
Jan	334.6	336.0	0	0
Feb	335.1	336.6	337.1	334.8
Apr	336.2	337.7	336.1	336.0
Jun	337.5	339.0	338.5	337.4
Aug	339.1	340.6	0	0
Oct	340.8	342.2	0	0
Dec	342.5	343.9	344.6	342.3

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	352 6	352.7	354.5	352.4
Apr	351.9	352.2	353.0	352.5
Jul	351.8	351.9	354.0	352.6
Oct	353.8	363.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	374.6	374.4	0	0
Dec	375.2	375.0	377.5	373.5
Jan	376.4	376.2	0	0
Mar	379.1	378.8	381.5	377.5
May	381.9	381.6	383.0	380.5
Jul	384.6	384.3	386.5	383.0
Sep	387.3	387.0	388.5	388.5
Dec	391.9	391.6	394.5	391.0
Jan	393.3	393.0	0	0
Mar	397.3	397.0	395.5	395.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	95.60	94.35	95.55	95.50
Dec	95.90	94.70	96.00	94.40
Jan	96.25	95.10	96.45	95.00
Feb	96.60	95.50	96.20	96.20
Mar	96.95	95.85	97.00	95.60
Apr	97.35	96.25	96.80	96.80
May	97.80	96.70	97.75	96.70
Jun	98.15	97.05	0	0
Jul	98.55	97.45	98.20	97.80
Aug	98 86	97 76	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	20.35	20.06	20.41	20.02
Jan	20.36	20.11	20.41	20.06
Feb	20.36	20.14	20.40	20.09
Mar	20.33	20.16	20.39	20.10
Apr	20.35	20.17	20.39	20.18
May	20.36	20.17	20.39	20.18
Jun	20.39	20.17	20.38	20.20
Jul	20.39	20.17	20.37	20.16
Aug	20.36	20.16	20.36	20.26
Sep	20.39	20.15	20.35	20.15

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	59.25	57.83	59.40	57.85
Jan	60.25	58.85	60.40	59.00
Feb	60.35	59.25	60.45	59.35
Mar	58.80	57.96	58.90	58.15
Apr	57.20	56.45	57.20	56.50
May	55.96	55.20	55.90	55.50
Jun	55.05	54.50	55.10	54.70
Jul	55.35	54.85	55.35	54.90
Aug	55.55	55.20	55.65	55.55
Sep	57.00	56.35	57.00	56.70

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1001	1006	1011	997
Mar	1035	1052	1052	1033
May	1062	1079	1077	1062
Jul	1088	1103	1099	1095
Sep	1117	1132	0	0
Dec	1150	1165	1160	1146
Mar	1178	1199	1196	1178
May	1207	1228	0	0
Jul	1237	1258	0	0
Sep	1260	1281	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	72.50	69.20	72.50	70.10
Mar	74.05	71.40	74.10	72.45
May	76.45	74.00	76.50	75.10
Jul	77.80	75.50	77.80	77.10
Sep	79.25	76.75	79.25	78.60
Dec	81.50	79.00	0	0
Mar	83.50	81.10	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.64	8.73	8.79	8.64
May	8.81	8.86	8.92	8.79
Jul	8.87	8.88	8.93	8.85
Oct	8.86	8.88	8.95	8.86
Mar	8.94	8.96	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	56.62	56.75	56.85	55.96
Mar	57.24	57 56	57.56	56.66
May	58.00	58.50	58.40	57.60
Jul	58.77	59.25	59.10	58.70
Oct	59.21	59.50	59.40	59.00
Dec	59.40	59.68	59.45	59.05
Mar	60.00	60.25	59.75	59.75
May	60.65	0	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	91.00	92.75	93 10	91.00
Jan	92.75	91.60	93.25	91.85
Mar	94.45	93.45	95.00	94.00
May	95.00	94.00	95.25	94.40
Jul	95.00	94.00	95.40	94.50
Sep	94.05	93.05	95.25	94.50
Nov	93.60	92.55	95.40	94.50
Jan	93.80	92.55	0	0
Mar	93.80	92.85	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Nov.16	Nov.13	mnth ago	yr ago
1662.6	1649.3	1624.6	1616 7

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov.13	Nov.12	mnth ago	yr ago
Spot	117.58	114.82	113.63	114.01
Futures	117.59	116.90	114.87	121.96

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	558/0	560/6	560/0	556/4
Jan	558/4	562/2	562/2	559/0
Mar	564/2	568/4	568/0	564/0
May	570/0	574/2	573/6	570/0
Jul	576/2	580/4	580/0	576/0
Aug	579/0	582/6	581/0	579/0
Sep	579/2	581/4	580/4	579/2

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	20.34	20.61	20.62	20.32
Jan	20.44	20.66	20.68	20.43
Mar	20.58	20.87	20.87	20.57
May	20.71	21.00	21.00	20.70
Jul	20.82	21.08	21.08	20.81
Aug	20.80	21.05	20.97	20.80
Sep	20.85	21.05	21.10	20.85
Oct	20.83	21.05	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	178.7	179.2	179.7	178.4
Jan	179.5	180.1	180.4	179.1
Mar	180.2	181.2	181.5	180.1
May	181.6	182.9	182.9	181.8
Jul	184.2	185.2	185.5	184.1
Aug	185.0	186.1	186.0	185.0
Sep	186.0	187.0	186.9	186.0
Oct	187.7	188.8	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	211/0	212/4	212/4	210/4
Mar	220/6	222/2	221/4	220/2
May	228/6	230/2	229/6	228/2
Jul	234/0	235/4	235/4	233/2
Sep	238/4	239/6	239/2	238/2
Dec	243/0	244/6	244/4	243/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	376/0	373/2	376/2	372/2
Mar	372/2	370/0	373/6	369/2
May	347/4	347/4	349/4	346/0
Jul	323/0	319/6	323/6	319/0
Sep	327/4	325/4	327/4	326/4
Dec	339/4	336/4	339/4	335/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	74.975	74.325	75.050	74.400
Feb	72.775	72.300	72.825	72.375
Apr	73.025	72.800	73.100	72.650
Jun	69.700	69.325	69.775	69.300
Aug	68.550	68.175	68.650	68.250
Oct	68.850	68.525	68.950	68.700

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	44.650	43.425	44.775	43.800
Feb	44.000	43.250	44.075	43.700
Apr	41.675	40.925	41.850	41.050
Jun	45.550	45.150	45.650	45.275
Jul	45.225	44.800	45.300	44.950
Aug	43.900	43.550	43.900	43.675
Oct	40.825	40.550	40.850	40.650

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	43.475	42.100	43.900	42.200
Mar	43.550	42.100	43.800	42.300
May	45.000	43.900	45.075	43.600
Jul	45.275	44.175	45.300	44.400
Aug	43 775	43.175	43.775	43.175

LONDON STOCK EXCHANGE

Shares fall as base rate hopes fade

By Terry Byland, UK Stock Market Editor

INCREASING concern that further reductions in domestic interest rates may be postponed until next year made for a poor start to the new trading account in the UK stock market yesterday. Share prices, on the downward path from the opening, took a turn for the worse at mid-session when early losses in government bonds were suddenly extended. However, traders detected few signs of selling pressure, and Seaq-reported trading volume was nearly one third down on Friday's total.

The market's concern is *focused on prospects for future* government funding in the light of the forecast for the Public Sector Borrowing Requirement incorporated in his Autumn economic statement last week by Mr Norman Lamont, the UK chancellor of the exchequer. Equity strategists warned that government bond yields could be forced *higher next year, and that* bond sales could "crowd out" potential investment in equities.

However, there were few signs of nervousness ahead of today's October PSBR number, which was expected to be relatively low. Nor was the stock market expecting surprises from the important speech in the City of London last night from *Mr John Major, the UK* prime minister.

Equities opened lower and, with stock index futures at a discount, and both short sterling and the money markets signalling fading confidence in a further base rate cut before Christmas, losses were extended.

An attempted rally was abruptly terminated when government bonds turned off and *by late afternoon, the FT-SE* Index was nearly 20 points down. A weak start to the new Wall Street session, where the Dow Average was 18 points down in early trade, left London to close a shade above the worst but still listless.

Traders referred to yesterday's trading session as "a washout," and saw the market remaining lacklustre for some weeks. One experienced dealer saw the Footsie *trading in the* 2,650 to 2,675 for the near term.

The FT-SE Index closed the session at 2,679 for a net loss of 17.9. The Seaq network reported trading of 434.1m shares compared with 628.4m in the previous session; retail, or customer, business on Friday was worth £1.2bn, maintaining the improved levels of the past two months.

Firmness in the US dollar *brought only modest support* for the international stocks which also reacted to warnings of poor economic prospects in Germany. Some pharmaceuticals once again reflected worries over possible medical funding policy under the new US president.

Domestic interest-related stocks suffered as doubts grew over prospects for the further one point reduction in base rates so widely predicted by sector analysts. Losses in the store and consumer groups were modest but there were larger falls among the building and contracter issues which have become heavily dependent on interest rate perceptions.

Significant losses were also marked against the domestic banking issues, some of which also suffered from adverse comment in the investment press last weekend. Bank stocks have benefited from the fall in UK base rates because this trend is likely to reduce their burden of bad and doubt*ful debts.*

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	7	470	-3	Comm Union	1,100	564	+1	Lonrho	277	72		Shell Transport	4,100	543	+2
ASDA Group	15,000	48½		Cookson	694	164		Lucas	718	118	-2	Siebe	325	344	
Abbey National	3,300	344		Courtaulds	342	484	-11	MB Caradon	518	274	-8	Slough Ests	441	141	+2
Albert Fisher	333	46½	-1½	Dalgety	87	408	-1	MEPC	23	338		Smith (W.H.) A	354	460	-6
Allied-Lyons	1,100	626	-2	De La Rue	279	829	-8	Manweb	161	508		Smith & Nephew	1,300	157½	+1½
Amstrad	124	28		Dixons	1,000	235		Marks & Spencer	1,800	317	-7	SmKl Beecham	813	518	-3
Anglian Water	434	477	-7	Eastern Elect.	696	420	+7½	Midlands Elect.	411	473	-1	SmKl Beecham Uts.	827	459	+½
Argos	290	289	-8	East Midland Elect.	292	424	+3	NFC	107	281	-8	Smiths Inds.	82	373	
Argyll Group	2,400	364	-4	Eng China Clays	622	420	-7	NatWest Bank	2,800	370	-8	Southern Elect.	702	437	+4
Arjo Wiggins	1,500	146	-2	Enterprise Oil	638	437	-5	National Power	324	288	-2½	South Wales Elect.	228	534	+7
Ass. Brit. Foods	498	418	-1	Eurotunnel Units	194	344	+5	Next	851	127	+1½	South West Water	474	502	-8
Ass. Brit. Ports	160	315	-3	FKI	888	84	-1	North West Water	804	497	-7	South West. Elect.	286	463	+3
BAA	694	731	-3	Fisons	1,800	219	+5½	Northern Elect.	381	479	+8½	Southern Water	79	472	-2
BAT Inds.	1,100	934	-10	Forte	1,800	189	-2	Northern Foods	1,300	274	-10	Standard Chartd.	549	534	-5
BET	3,900	112	+1	Gen. Accident	531	567	-3	Norweb	363	481	-½	Storehouse	1,100	171	+2
BICC	888	269	-7	General Elect.	3,800	281	-3	Pearson	815	330	-6	Sun Alliance	938	328	
BOC	1,100	681	+1	Glaxo	2,500	812	+12	P & O	190	453	-2	T&N	185	140	-2
BP	5,400	228½	-3	Glynwed Intl.	8	214	+4	Pilkington	2,600	89	-1	TI Group	680	292	-3
BPB Inds	341	170	-2	Granada	1,400	278	-1	PowerGen	854	269	-3½	TSB	1,500	136½	-4
BT	6,200	388	+3	Grand Met.	4,400	399	-4	Prudential	38	274	-6	Tarmac	1,000	88	-5
BT New	1,900	289	+3	GUS A	203	1073	-20	RHM	464	257½	-½	Tate & Lyle	1,300	365	-4
BTR	2,800	491	-3	GRE	913	143	-5	RMC	240	494	-17	Taylor Woodrow	2,700	64	-1
Bank of Scotland	3,900	117	-3	GKN	540	398	-2	RTZ	449	624	-1	Tesco	5,400	229	-1
Barclays	6,200	349	-8	Guinness	310	585	+8	Racal	179	155	+4	Thames Water	1,400	483	-9
Bass	3,000	837	-8	HSBC (75p shs)	2,600	538	-4½	Rank Org.	839	628	-1	Thorn EMI	1,300	788	-2
Berisford Intl.	297	15		Hammerson 'A'	60	249		Reckitt & Colman	138	588	-4	Tomkins	1,200	212	-5
Blue Circle	2,100	169	-8	Hanson	3,900	226	+1	Redland	1,400	369	-17	Trafalgar House	586	84½	
Booker	895	348	+1	Hanson Warrants	1,000	18¼		Reed Intl.	100	601	-2	Unigate	929	286	-15
Boots	1,800	476	-3½	Harrisons Crosfield	871	133	-1	Rentokil	464	189	-8	Unilever	650	1056	-18
Bowater	421	435	-12½	Hillsdown	1,200	108	-1	Reuters	592	1249	-5	United Biscuits	597	331	-5
Brit. Aerospace	1,300	137	+3	IMI	1,100	232	+2	Rolls Royce	430	108	-5	Utd. Newspapers	505	454	-3
British Airways	6,000	271	-8½	ICI	778	1034	-4	Rothmans	257	692	-2	Vodafone	827	370	-3
British Gas	4,700	279½	+1	Inchcape	295	482		Ryl Bk Scotland	2,800	177	+3	Warburg (SG)	331	483	-1
British Land	515	184	-2	Kingfisher	1,600	545	-8	Royal Insurance	370	258	-1	Wellcome	1,400	982	+9
British Steel	22,000	46½	-3	Kwik Save	47	738		Saatchi	205	151	-7	Welsh Water	116	524	-4
Bunzl	130	183	-1	Ladbroke	1,900	158	-5	Sainsbury	190	470	-4½	Wessex Water	99	588	
Burmah Castrol	1,000	685	-8	Land Securities	717	424	-4	Scottish & New.	140	402	-13	Whitbread 'A'	534	422	-14
Burton	4,900	58	-1½	Laporte	86	607		Scot. Hydro-Elect.	526	241		Williams Hldgs.	469	292	+2
Cable & Wire.	1,400	844	-4	Legal & General	313	390	-15	Scottish Power	1,700	222½	+1½	Willis Corroon	959	189	-8
Cadbury Schweppes	2,600	465	-2	Lloyds Abbey	396	388	-8	Sears	3,400	91	-1	Wimpey	417	102	
Calor Group	249	234	-4	Lloyds Bank	1,000	476	-5	Sedgwick	571	150	-7	Wolseley	210	442	-11
Carlton Comms.	366	711	-5	LASMO	1,300	161	+1	Seeboard	208	489	+3½	Yorkshire Elect.	482	496	+3½
Coats Viyella	2,300	208	-1	London Elect.	278	431	+7	Severn Trent Water	448	466	-3	Yorkshire Water	222	530	-3

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Nov 2	Nov 16	Nov 30
Option Declarations:		
Nov 12	Nov 26	Dec 10
Last Dealings:		
Nov 13	Nov 27	Dec 11
Account Day:		
Nov 23	Dec 7	Dec 21

*New time dealings may take place from 8.30am two business days earlier.

BS at low in heavy turnover

INTERIM losses from British Steel (BS) might have been widely anticipated but they still prompted the biggest turnover in the London stock market yesterday. Also, the closing share price was strongly supported by heavy US buying and the net fall gave a rosier picture than that seen by many *UK analysts.*

Mr Peter Deighton of Smith New Court summed up the seeming anomaly when he said; "I can't understand how a major company passes its dividend and the share price only comes off 3p." The US has been buying Steel for long-term recovery and now owns some 30 per cent of the stock. Mr Deighton said there was a growing worry that unless the European Commission comes up with some solution to the current squeeze on prices and volumes that support could easily be reversed.

Forecasts for Steel's full-year losses were held to a range of £150m to £180m. The shares gave up 3 to to 46½p, touching *the previous all-time low* reached two months ago, with 22m traded.

Ratners supported

A sharp rise and busy turnover in Ratners confirmed growing confidence amongst some in the market that the troubled stores group was making headway against its current trading problems. The rise also prompted renewed talk in some quarters that Ratners may be again discussing with its US executives the possibilty of a management buy-out. This *option was first said to have* been mooted a year ago, but has taken on a new urgency as Ratners fortunes have gone from bad to worse. The group recently unveiled a rise in half-year losses to £30.6m and debts of over £250m.

The sale of its US operations, which made operating profits of £5.1m in the same period, *could raise in the region of* £300m. There was also speculation yesterday that UK sales may have picked up and that some institutions were clambering aboard in expectation of a good Christmas trading period. The shares jumped 3¾ to 19¾p in volume of 8m. The price of Ratners shares has now more than doubled in the last two weeks.

BOC active

Industrial gases group BOC fell sharply in early trade on confusion over the reporting of its full-year profits. However, the stock recovered when it was appreciated that the headline figure included an excep*tional charge and BOC shares* closed a penny firmer at 681p.

BOC is one of the the first UK companies to employ a new accounting directive which alters the basis of the profit and loss account. As a result it included £117m from the sale of US home healthcare business Glasrock. When that was stripped out the profits came in around £342m, *still below* the forecast range but acceptable. Partly because the shares have come back a long way over the past few weeks several securities houses improved their recommendation. Hoare Govett shaved its 1993 forecast to £385m but altered its stance from hold to undervalued while a more *bearish Smith New Court came* down to £372m from £380m but argued that the stock should be bought on weakness.

Utilities switch

The water and electricity stocks marched higher during early trading but thereafter moved in opposite directions *with the waters retreating* amid "take-profits" adivce from brokers and the electricity companies tending to mark time.

Panmure Gordon, the stockbroker, was among those recommending a switch out of waters and into the "recs". "We've told our clients to "top-slice" the waters which we feel at now at or close *to fair* value," said Mr Angelos Anastasiou, utilities specialist at Panmure. Mr Anastasiou said the "recs have been left behind."

County NatWest was another broker to argue the case for the electricity companies; "The electricity companies would be well advised to exercise restraint at the interims; we expect the sector average at the interims to be little more than 10 per cent but anticipate growth of around 12-13 per cent for the full year which makes the yields offered by some "recs" extremely attractive," said County.

The poorest performers in the waters were the Footsie *constituents, North West* Water, which dipped 7 to 497p, and Anglian which fell the same amount to 477p. Seven Trent closed 3 off at 466p. Among the "recs" London jumped 7 to 451p and South Wales 7 to 534p.

Concern over the potential tie-up with USAir and selling ahead of interim results today *left British Airways 8¼ off at* 271p on heavy turnover of 6m shares.

GPG, the old Guinness Peat banking group suspended around the 23p mark resumed trading at 17p.

Barclays Bank was easily the heaviest traded of the big banks after the weekend Press highighted long running mar*ket suspicions that the bank* may have to make provisions against possible losses arising from its loans to Imry, the property company. Barclays shares, given a rough risd in recent weeks by a series of earnings downgrades by all the leading broking houses and forecasts of a probable cut in the bank's dividend, dropped 8 to 349p on turnover of 5.2m.

The Imry worries plus last week's warning by stockbroker Panmure Gordon of increasing and widespread bad debts in the banking sector, put the skids under most of the banks.

Natwest mirrored Barclays, *droipping 8 to 370p on 2.8m,* while Lloyds fell 5 to 476p and HSBC 4¼ to 538p. TSB eased 4 to 136½p. The two big Scottish banks move din opposite directions withthe bad debt scenario casting a shadow over Bank of Scotland, 3 off at 117p. Switching from Bank of Scotland, however, enabled Royal Bank to edge up 3 to 177p.

Life assurance shares were weighed down by vague suggestions that a line of Legal & General were on offer. Legal shares settled a net 15 weaker at 390p. Commercial Union, due to announce third quarter numbers tomorrow – most analysts looking for a marginal loss during the quarter – were fractionally higher at 564p, but *other composites were generally easier.*

A big week for the insurance broking sector saw Sedgwick, scheduled to reveal third quarter figures this morning, 7 off at 150p and Willis Corroon, reporting third quarter numbers tomorrow, 6 down at 189p.

Companies with heavy exposure to the US benefited from *the strength of the dollar.* Glaxo gained 12 to 812p, although the shares traded as American Depositary Receipts were easier in early US dealing. Wellcome lifted 9 to 982p and Medeva gained 12 to 223p.

Weekend press comment on the European Fighter project helped British Aerospace improve 3 to 137p.

Submarine manufacturer VSEL suffered from what one analyst called a "misjudged press story" about the standard nuclear checks carried out on its new Trident submarine. The shares have also performed well since results last week but fell 14 to 494p yesterday.

Fears of losses at Euro Disney, *which reports its interims* on Thursday, sent the shares plunging 65 to 918p.

Food manufacturer Unilever attracted attention as worries over the plight of the German economy and nervousness about the group's dividend growth left the shares 23 lighter at 1056p xd.

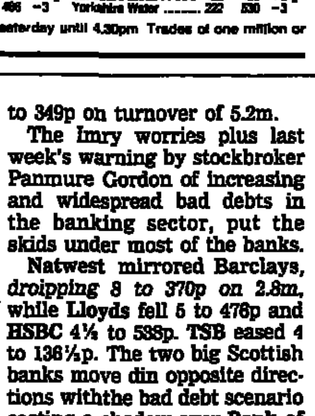
Hazlewood Food was in demand ahead of results tomorrow, the shares edging forward 3 to 135p.

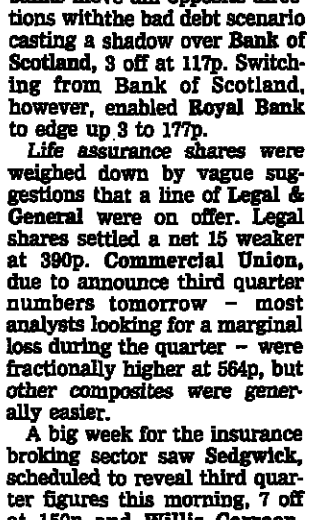
Kingfisher's tie-up with US group Staples was well heralded and the shares retreated 8 to 545p. Better received was the news from Storehouse that *it was selling its loss-making* Conran Stores which operates 19 Habitat branches in the US. The shares rose 2 to 171p.

Mirror Group performed well as executive changes pushed back prospects of a management buy-out and that the new appointments heralded a more commercial line. The shares closed 1¼ higher at 71p.

MARKET REPORTERS:
Steve Thompson
Christopher Price,
Peter John,

■ Other market statistics, Page 24





NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (60).
BRITISH FUNDS (1) Treas. 3pc '66 Aft., **AMERICANS** (16) Abbott Labs., Bankers NY, Chase Manhattan, Colgate-Palmolive, Cont'l Bank, Gen. Elect., Hasbro, Lockheed, Morris (Ph), Time Warner, **BANKS** (1) Bank Leumi (UK), **BUSINESS SERVS** (1) Penna, **CHEMS** (1) Engelhard, **CONGLOMERATES** (1) Wassall, **ELECTRICALS** (1) Ericsson, **ELECTRONICS** (1) Electrocompo., **FOOD RETAILING** (1) Kwik Save, **HEALTH & HSEHOLD** (3) Amersham, Astra, Huntleigh, **HOTELS & LEIS** (1) Millwall, **INSCE BROKERS** (1) Alex. & Alex., **INSCE COMPOSITE** (2) Allianz, USF & G, **INV TRUSTS** (19) Abtrust New Dawn Wts., Abtrust Prfd. Zero Pf., Baring Tribune, Broadgate, Drayton Blue Chip Zero Pf. English & Scot., Fulcrum Zero Pf., Govett Amer. Smllr Co's., Henderson Euro. Zero Pf., Indonesia Equity Fund, Do Wts., Jakarta Fund, Kleinwort High Inc. Zero Pf., Malacca Fund, Murray Intl., River Plate Zero Pf., Scot. Natl. Zero Pf., US Smllr. Co's., Do Wts., **MEDIA** (4) Carlton Comms. 6½pc Pf., Haynes, News Intl., TVS Ent. 7.4pc Pf. '08, **MISC** (4) Bluebird Toys, Gestetner, Rhino, Waste Mngemt., **OTHER FINCL** (4) Cattle's, Lon Scottish, Perpetual, S & U, **PACKG, PAPER & PRINTG** (1) Jarvis Porter, **TELE NETWORKS** (1) BT, **TRANSPORT** (2) Forth Ports, GATX.
NEW LOWS (57).
BRITISH FUNDS (1) Treas. 8pc '09 A, **BLDG MATLS** (2) Darby, Tudor, **BUSINESS SERVS** (3) Air London, CRT, REA, **CHEMS** (1) Caird, **CONTG & CONSTRCN** (1) Prowting, **ELECTRICALS** (1) Bennett & Fountain, **ELECTRONICS** (3) Control Techniques, Kewill Syst., Peek, **ENG AERO** (1) Rolls-Royce, **ENG GEN** (8) Bromsgrove, Dobson Park, Folkes N/V, Prospect, Richardson Westgarth, Simon, Widney, Wilkes, **FOOD RETAILING** (2) Appleby Westward, Geest, **HEALTH & HSEHOLD** (1) Swallowfield, **HOTELS & LEIS** (3) Bristol Scotts, Resort, Wembley, **INV TRUSTS** (8) Aberforth Split Level, Archimedes Inc., I & S UK Smllr. Co's., JF Fledgeling Wts., Lloyds Smllr. Co's Pckg. Units., **MEDIA** (4) Aegis 9¾pc Pf., HTV, Lopex, VTR, **MISC** (2) Assoc. Brit Consultants, Toye, **MOTORS** (2) Abbey Panels, Caffyns, **OIL & GAS** (1) Lasmo Ops., **OTHER FINCL** (1) Baltic 7pc Pf., **OTHER INDLS** (2) Elkem, Headway, **PACKG, PAPER & PRINTG** (3) Intereurope Tech., Stat-Plus, Usher Walker, **PROP** (2) Merivale Moore, YRM, **STORES** (2) Censors, Dunhill, **TEXTS** (1) Martin Intl., **MINES** (5) Anglo Amer. Gold, Aztec Expl., Gold Fields SA, Placer Pacific, Western.

FINANCIAL TIMES EQUITY INDICES

	Nov 16	Nov 13	Nov 12	Nov 11	Nov 10	Year ago	High	Low
Ordinary share	2004.6	2021.6	2027.3	2003.0	2016.5	1887.8	2149.7	1670.0
Ord. div. yield	4.61	4.57	4.54	4.58	4.55	5.18	5.34	4.24
Earning yld % full	6.45	6.43	6.38	6.49	6.44	7.43	-	-
P/E ratio net	19.79	19.83	19.98	19.66	19.80	15.98	20.84	15.79
P/E ratio nil	18.27	18.32	18.46	18.17	18.30	16.02	-	-
Gold Mines	68.8	67.1	67.5	66.8	65.2	153.2	160.6	66.0

*for 1992 Ordinary share index since compilation: high 2149.7 22/5/92 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2014.7	2013.5	2014.8	2016.1	2017.6	2017.7	2015.1	2005.4	2004.8	2018.0	2004.5

Volume	Nov 16	Nov 13	Nov 12	Nov 11	Nov 10	Year ago
SEAQ Bargains	25,017	34,694	31,219	28,474	27,433	28,955
Equity Turnover(£m)†	-	1188.0	1344.2	1107.4	1118.3	1031.16
Equity Bargains†	-	38,613	35,173	32,349	31,358	26,835
Shares traded (mil)†	-	546.0	646.7	465.0	534.9	398.8

† Excluding intra-market business and overseas turnover

London report and latest Share Index
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EQUITY FUTURES AND OPTIONS TRADING

THE PROSPECT of no further cuts in interest rates until early next year at the earliest put a cloud over the derivatives market in subdued trading, writes Christopher Price.

The December contract started quite firm at 2,695, despite the gloomy weekend media comment and good two-way business meant a slow rise in the morning session. However, weak gilts and short sterling opened up arbitraging opportunities as December traded at a par or below its fair value level for most of the session. December reached its high point of the day of 2,708 at lunchtime.

In the afternoon, firmer sentiment that interest rates would remain at 8 per cent for the rest of the year depressed the mood, which together with a weak opening on Wall Street combined to send December down.

A minor rally was staged in later trading, although dealers said that the sombre mood would overhang the market at tomorrow's opening. December closed at 2,684, a discount of some five points to its fair value level of around nine. Volume was 8,177 contracts.

A quiet traded options market saw 21,676 contracts traded of which nearly 8,000 was in the FT-SE 100.

British Steel was the top traded option with 1,316 contracts, the July 40 puts at 5p notching up 400 in one trade. Next came Barclays (1,076 contacts), Asda (1,010) and British Gas (764).

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2679.6 -17.9	2595.7 -13.2	1272.62 -7.78

	Nov 16	Nov 13	Nov 12	Nov 11	Nov 10	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2679.6	2697.5	2726.4	2696.8	2714.6	2463.1	2737.8	2281.0	2737.8 11/5/92	986.9 23/7/84
FT-SE Mid 250	2595.7	2608.9	2616.6	2590.5	2593.3	2438.4	2825.0	2157.8	2825.0 20/5/92	1379.4 21/1/86
FT-SE-A 350	1297.2	1305.4	1317.4	1303.3	1310.5	1198.4	1342.7	1103.1	1342.7 11/5/92	664.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2688.7	2686.7	2689.1	2691.1	2693.0	2694.2	2691.3	2679.0	2679.0	2694.9	2678.3
FT-SE Mid 250	2604.9	2599.7	2600.8	2601.1	2601.2	2601.5	2601.8	2597.5	2595.8	2604.9	2595.7
FT-SE-A 350	1301.6	1300.3	1301.3	1302.2	1302.9	1303.4	1302.3	1297.1	1297.0	1303.7	1296.8

Gross dividend yield (ACT at 25%) FT-SE 100:4.51%

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday November 16 1992 Index No.	Day's Change %	Est Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est P/E Ratio (Net)	xd adj. 1992 to date	Fri Nov 13 Index No.	Thu Nov 12 Index No	Wed Nov 11 Index No	Year ago (approx) Index No
1 CAPITAL GOODS (174)	774.06	-1.0	7.30	5.66	17.84	29.69	781.92	786.43	780.33	782.21
2 Building Materials (23)	769.33	-2.7	6.80	7.10	20.84	35.83	790.54	804.99	791.73	960.75
3 Contracting, Construction (26)	678.82	-1.1	4.08	7.30	64.42	37.38	686.22	702.31	685.56	1005.24
4 Electricals (9)	2143.77	-1.3	7.84	7.02	16.68	108.10	2172.37	2110.52	2109.47	2405.78
5 Electronics (27)	2168.87	-0.6	7.02	3.93	18.11	50.14	2181.33	2193.50	2163.26	1693.61
6 Engineering-Aerospace (6)	262.36	-1.4	13.49	8.95	9.43	15.92	266.04	271.28	263.08	342.26
7 Engineering-General (43)	443.91	-0.4	8.99	5.30	14.21	16.58	445.85	442.69	437.60	470.07
8 Metals and Metal Forming (7)	268.69	-2.4	6.36	8.10	22.90	8.52	275.53	274.02	277.57	345.75
9 Motors (15)	324.28	-0.9	6.27	7.25	23.24	17.59	327.25	326.77	320.90	319.34
10 Other Industrials (18)	1780.55	-0.4	7.00	4.70	17.26	61.23	1788.24	1798.71	1808.63	1538.00
21 CONSUMER GROUP (192)	1643.71	-0.6	7.09	3.54	17.48	40.00	1653.14	1669.70	1652.56	1365.35
22 Brewers and Distillers (25)	1933.76	-0.5	8.59	3.82	14.04	41.53	1942.75	1965.12	1936.05	1908.80
25 Food Manufacturing (19)	1252.89	-1.5	8.60	4.25	14.49	36.85	1271.49	1282.29	1275.43	1186.74
26 Food Retailing (18)	2849.64	-0.3	9.03	3.27	14.38	62.29	2877.23	2911.10	2879.27	2309.95
27 Health and Household (26)	4313.90	+0.7	5.16	2.63	22.51	87.51	4285.38	4342.87	4284.29	4101.54
29 Hotels and Leisure (18)	1133.12	-0.7	6.94	6.02	18.97	46.03	1141.44	1149.10	1119.19	1325.32
30 Media (27)	1638.13	-0.6	6.09	3.23	20.50	38.19	1647.80	1653.23	1641.77	1444.74
31 Packaging, Paper & Printing (17)	722.86	-1.5	7.23	4.50	17.16	24.01	734.21	734.78	754.62	748.37
34 Stores (33)	1058.71	-1.7	6.90	3.42	19.19	26.40	1077.11	1084.09	1079.48	1018.61
35 Textiles (9)	697.74	-0.2	6.80	4.40	18.51	21.09	699.10	703.14	703.54	626.72
40 OTHER GROUPS (116)	1366.99	-0.3	8.91	4.99	13.99	41.46	1371.52	1378.45	1380.57	1214.88
41 Business Services (18)	1414.74	-0.7	6.27	3.60	19.55	30.78	1425.10	1453.34	1429.36	1366.59
42 Chemicals (22)	1321.18	-0.9	7.01	5.54	17.98	48.71	1327.37	1339.34	1335.69	1397.66
43 Conglomerates (10)	1333.90	-0.1	8.64	8.25	14.81	40.93	1334.97	1351.03	1331.22	1394.45
44 Transport (13)	2511.21	-1.1	8.58	4.72	14.11	83.03	2539.16	2572.05	2573.86	2303.76
45 Electricity (16)	1528.08	+0.2	13.59	4.80	9.48	55.01	1525.50	1515.76	1487.21	1170.84
46 Telephone Networks (4)	1606.26	+0.3	8.29	4.22	15.63	46.15	1601.30	1600.93	1562.00	1456.04
47 Water (11)	3272.16	-1.3	13.83	5.34	7.99	94.82	3315.19	3323.25	3357.97	2295.11
48 Miscellaneous (22)	2335.36	-0.8	6.04	4.32	20.50	56.19	2353.93	2369.67	2333.99	1808.26
49 INDUSTRIAL GROUP (482)	1337.93	-0.6	7.74	4.38	16.18	38.41	1345.50	1355.78	1341.21	1258.27
51 Oil & Gas (18)	2146.09	-0.2	6.16	6.04	21.26	102.73	2149.89	2174.10	2143.04	2305.10
59 500 SHARE INDEX (500)	1412.73	-0.5	7.57	4.55	16.60	43.43	1420.15	1431.54	1415.48	1359.13
61 FINANCIAL GROUP (82)	833.28	-1.1	-	5.27	-	31.47	842.23	854.04	847.81	762.73
62 Banks (9)	1152.63	-1.1	4.49	4.82	33.46	40.52	1165.37	1190.31	1190.93	894.51
65 Insurance (Life) (6)	1626.80	-2.1	-	5.59	-	68.18	1661.44	1686.93	1673.37	1469.37
66 Insurance (Composite) (7)	596.91	-0.5	-	5.05	-	22.58	600.18	604.02	584.68	557.00
67 Insurance (Brokers) (10)	724.00	-2.4	9.88	7.76	13.29	42.23	741.62	745.87	740.80	1073.48
68 Merchant Banks (6)	459.36	-0.9	-	4.98	-	16.75	463.40	465.60	458.00	408.33
69 Property (30)	618.13	-	9.10	6.82	14.43	24.94	618.07	613.58	606.95	574.52
70 Other Financial (14)	265.37	-0.7	7.49	6.29	17.55	10.24	267.21	266.95	263.00	244.63
71 Investment Trusts (70)	1239.71	-1.0	-	3.63	-	30.44	1252.25	1264.46	1254.83	1184.34
99 ALL-SHARE INDEX (652)	1272.62	-0.6	-	4.63	-	40.06	1280.40	1291.80	1278.13	1208.01

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrn	1350.5	1343.5	1349.2	1348.7	1348.7	1348.7	1349.1	1347.7	1341.3	1341.3	1353.9	-12.6
Health&H	1298.4	1304.1	1308.4	1310.3	1314.0	1313.1	1310.9	1306.4	1304.9	1305.5	1297.3	+8.2
Water	1370.0	1371.3	1368.7	1363.3	1363.3	1363.8	1361.4	1357.8	1353.2	1353.5	1370.5	-17.0
Banks	1410.8	1402.7	1403.4	1398.5	1400.5	1401.4	1399.1	1392.6	1400.6	1400.3	1415.7	-15.4

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1992. © The Financial Times Limited 1992. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. Constituent changes: DELETION: Arenbacher (Henry) (68).

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)	Price £	+ or -	1992 high	1992 low
Treas 8¾pc 1993	100⅛	—	100½	97½
10pc 1993‡‡	101⅛	-⅛	101⅜	99⅛
12½pc 1993‡‡	103¾	-⅛	104⅛	100¼
Funding 6pc 1993‡‡	100	—	100	95⅜
Treas 13¾pc 1993‡‡	107⅛xd	-¼	107⅝	103⅛
8½pc 1994	102⅜	-¼	102½	96¼
14½pc 1994‡‡	109½	-⅛	110⅛	104½
Exch 13½pc 1994	109½	-⅛	110½	103½
Treas. 10pc Ln. 1994‡‡	105xd	-⅛	105½	98½
Exch 12½pc 1994	109½	-⅛	110⅛	103⅛
Treas 9pc 1994‡‡	104¼	-⅛	104½	96⅝
12pc 1995	110⅛	-¼	111⅛	102½
Exch 3pc Gas 90-95	95	-¼	95¼	88¼
10¼pc 1995	108⅛	-⅛	109¼	99⅛
Treas 12¾pc 1995‡‡	115½	-⅛	116½	106¼
14pc 1996	118¾	-⅛	119½	109½
9pc 1992-96‡‡	100½	..	104½	96⅛
15¼pc 1996‡‡	123⅝	-⅛	125¼	113½
Exch 13¼pc 1996‡‡	118⅛	-⅛	119⅛	108
Conversion 10pc 1996	109½	-½	110½	98½
Treas 13¼pc 1997‡‡	120½	-½	121½	109½
Exch 10½pc 1997	111⅛	-½	112⅝	100½
Treas 8¾pc 1997‡‡	106¼	-⅛	107½	94
8¾pc '97 ‡‡	28½	-⅝	30½	25
Five to Fifteen Years				
Exch 15pc 1997	129½	-½	131⅛	117½
9¾pc 1998	108½	-½	111⅛	97½
Treas 7¼pc 1998	25½	-½	27⅛	25
Treas 6¾pc 1995-98‡‡	97⅝	-¼	99⅛	86½
15½pc '98‡‡	135½	-½	137½	123⅛
Exch 12pc 1998	119⅝xd	-½	121⅛	107½
Treas 9½pc 1999‡‡	109⅛	-1	111⅛	97⅛
Exch 12¼pc 1999	121⅛	-1⅛	123⅛	109½
Treas 10½pc 1999	114⅛xd	-1	116⅛	101½

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EUROPEAN FINANCE & INVESTMENT ITALY
The FT proposes to publish this survey on
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FT SURVEYS

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	19 5/8xd	+1/8	19 5/8	14 5/8	16,063	1.9
Allegheny & W.		435p	—	454p	226p	227.8	4.3
Amdahl		817p	-9	1159p	455p	598.6	1.2
Amer Cyanamid		38 1/8	+1/8	37 7/8	26 3/4	3,259	2.9
Amer Express		14 3/16xd	-1/16	14 3/4	10 7/16	6,784	4.5
Amer T & T		29 13/16xd	-1/16	30	20 1/4	39,815	2.8
Ameritech		41 7/8	+1/4	43 1/2	32 1/2	18,384	5.3
BankAmerica		28 5/16xd	+1/4	28 1/2	18 7/16	9,769	2.9
Bankers NY		43 1/2xd	+1/8	43 1/2	28 7/8	3,481	4.1
Bell Atlantic		29 5/8	+1/8	31 1/8	23 1/8	12,789	5.5
BellSouth		31 1/8	+5/8	34 1/8	25	15,218	5.8
Bethlehem Steel		9 1/8xd	—	9 5/8	5 3/4	828.4	—
Bowater		1427pxd	—	1678p	905p	616.6	5.3
CPC	h	32 7/16xd	-1/16	33	22 1/8	4,932	2.3
Cadiz Land Inc		129p	—	342p	108p	—	—
California Engy		928p	—	948p	591p	168.9	—
Chase Manhattan		17 1/16xd	+3/16	17 1/16	9 1/8	2,647	4.4
Chrysler		18 1/8xd	—	18 1/8	6 1/4	5,300	2.1
Citicorp		11 13/16xd	-1/16	12 1/8	5 3/8	4,341	—
Colgate-Palm		39 1/8xd	+1/8	39 1/8	25 1/4	6,237	2.0
Cont'l Bank		1254p	+6	1264p	499p	1,267	3.0
Dana		27 1/4xd	+1/8	28 11/16	14 3/16	1,272	3.6
Data General		672p	+48	1094p	384p	186.4	—
Decora Inds		146p	—	148p	68p	—	—
Dun & Brad		36 7/8	-1/4	38 3/8	27 5/8	8,602	3.8
Eaton		48 1/2	+1/2	48 1/4	32 1/2	1,695	3.0
Echlin		13 1/4xd	-1/8	13 3/8	7 5/8	762.8	3.3
FPL		23 1/8xd	—	23 1/4	17 13/16	4,222	6.6
Fluor		28 5/8xd	+1/8	29 5/8	19 1/4	2,321	0.9
Ford Motor		25 7/16xd	+1/8	26 3/8	15	12,482	2.5
Gen Elect		51 3/4xd	+3/16	51 3/4	36 1/4	44,218	2.9
General Host		574p	-2	609p	360p	—	3.9
Gillette		39 11/16xd	+1/16	40	23 13/16	8,706	1.1
Hasbro		22 1/2	+1/2	22 1/2	12 3/4	1,968	0.6
Honeywell		41 7/8	+3/16	43	32	2,889	2.7
Houston Inds		28 5/8	—	29 1/2	22	3,707	6.6
IBM		42 3/16xd	+1/2	54 1/2	41 11/16	24,291	7.2
Ingersoll-Rand		19 13/16xd	-1/16	21	12 11/16	2,067	2.2
Lockheed		31	+5/8	31	22 3/8	1,962	4.3
Lowe's	h	1337p	-33	1370p	815 1/2p	975.6	1.3
Merrill Lynch		39 3/16xd	+1/16	39 13/16	24 3/4	4,696	1.9
Morgan (JP)		41 3/16xd	-3/16	42 1/2	28 7/16	7,883	3.3
Morris (Philip)		52 3/16xd	+1/16	52 1/16	37 13/16	48,084	2.1
NYNEX		52 1/2	+1/4	54 1/4	39 5/8	10,761	5.6
Pall		19 1/2	-1/4	20	10 3/16	1,090	1.2
Pennzoil		35 13/16xd	+3/16	36 13/16	23 1/4	1,459	5.3
Quaker Oats		44 3/16xd	-1/16	44 1/2	28	3,261	2.7
Rockwell		17 1/16xd	+1/8	17 1/8	11 1/2	3,881	3.4
Rep NY		29 3/16xd	+1/16	29 7/8	20 7/8	1,531	2.1
Sears, Roebuck		26 3/16xd	-3/16	26 3/8	19 7/16	8,769	4.5
Sthwestern Bell		41 7/8	—	43 7/8	31 1/4	12,565	4.4
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on *Monday*

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock *Exchange Automated Quotation system (SEAQ).*
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ◊ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† *Not officially UK listed; dealings permitted under Rule 535(2)*
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. j Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. *t Indicated dividend yield, p/e ratio based on latest annual earnings.* u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.

v Not subject to ACT. z Dividend yield includes a special payment. E Auction basis. F Yield based on prospectus or other official estimates for 1994-95. *G Assumed yield after pending scrip and/or rights issue.* H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other *official estimates for* 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. *Z Dividend yield to date.*

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT2732. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

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Annual subscription £250.00 stg.
Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	147.3	148.9xd	156.7	+0.80	0.00
AIB Grofund Equity	5	191.2	193.8	205.1	-0.20	1.87
AIB Grofund Euro	5	143.9	146.0	153.7	+8.20	0.80
AIB Grofund Ext Balanced	3	96.68	97.28	100.3	+0.30	0.00
AIB Grofund Gilt	3	75.31	75.35	77.68	-0.43	5.60
AIB Grofund Japan	5	118.3	119.6xd	125.9	-0.30	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse Corporation St, Coventry 0203 553231

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	379.1	381.4	405.8	-0.6	3.17
General Acc	5	412.9	415.3	441.9	-0.7	3.17
UK Growth Acc	6	277.9	282.5xd	300.6	-1.0	3.57
UK Growth Inc	6	199.4	202.7xd	215.7	-0.7	3.57
Higher Inc Acc	6	480.0	488.8xd	520.0	-2.2	4.97
Higher Inc Inc	6	295.9	301.3xd	320.6	-1.4	4.97
Gilts/Fxd Int Acc	5½	167.4	167.4	176.8	-1.6	6.91
Gilts/Fxd Int Inc	5½	90.21	90.21	95.28	-0.84	6.91
Nth America	6	244.1	248.7xd	264.6	+3.7	0.00
Far East	6	230.5	230.5xd	245.3	-0.3	0.26
Europe	6	200.4	200.4	213.2	+0.4	0.70
Brit Evolt	6	56.78	56.78xd	60.41	-0.25	3.75
Brit Fndmtls Acc	6	74.07	74.07	78.80	-0.59	5.77
Brit Fndmtls Inc	6	58.14	58.14	61.86	-0.45	5.77
Global Opps	6	60.46	60.98xd	64.88	+0.35	0.00

Abbey Unit Tst Mngrs (1800)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gilts & Fixed Int	6	128.1	128.1	135.7	-0.5	7.63
High Inc Equity	6	126.3	129.2xd	137.4	-0.6	6.19
Worldwide Bond	6	257.2	257.2xd	272.7	+0.7	5.22
American Growth	6	256.7	256.7	274.5	+1.8	.73
Asian Pacific	6	187.8	192.4	204.6	-0.9	1.10
Assets & Earnings	6	190.2	194.4xd	206.8	-0.6	3.16
Capital Reserve Acc	0	123.9	123.9	123.9		7.25
Capital Reserve Inc	0	91.62	91.62	91.63		7.25
Comdty & Energy	6	62.86	62.86	67.22	+0.03	1.23
1992 Enterprise	6	68.77	68.77	73.55	-0.66	2.92
Euro Capital Acc	6	98.41	98.41	105.2	-0.2	.99

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	81.15	82.18xd	87.90	-0.14	2.40
Do (Accum)	6	88.60	89.73	95.97	-0.15	2.40
Smaller Cos	6	60.09	60.03xd	64.21	+0.14	2.61
Do (Accum)	6	64.91	64.91	69.43	+0.16	2.61
Higher Yield	6	32.64	33.05xd	35.34	-0.02	5.57
Do (Accum)	6	44.12	44.67	47.78	-0.03	5.57
American Gth Inc	6	47.98	47.98	51.32	+0.79	0.16
Do (Accum)	6	48.89	48.89	52.29	+0.81	0.16
European Growth	6	87.73	87.73xd	93.82	-0.29	2.09
Do (Accum)	6	88.54	88.54	94.70	-0.25	2.09
Global Bond Inc	6	27.47	27.47	29.14	+0.31	5.11
Do (Accum)	6	33.75	33.76	35.81	+0.38	5.11
Managed P'folio Inc	6	29.03	29.11xd	31.13	+0.20	0.00
Do Accum	6	29.11	29.19	31.22	+0.20	0.00
Pacific Growth Accum	6	77.16	77.93	83.35	+0.12	1.03
Intl Spec Opps Accum	6	68.74	69.64	74.48	+0.14	1.83

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412282

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	77.84	77.84	82.90	-0.16	2.51
Mngd P'folio Acc	6	145.7	145.7	155.2	-0.30	–
UK General	6	122.6	122.6xd	130.6	-0.50	3.88
Com & General	6	16.40	16.40	17.47	+0.01	8.83
European Inc	6	20.98	20.98xd	22.65	+0.05	0.50
European Acc	6	21.66	21.66	23.34	...	–
Financial	6	93.12	93.12	99.17	-0.77	4.48
Foundation	6	60.48	62.29xd	66.34	-0.14	4.23
German	6	38.12	38.12xd	40.87	+0.26	0.10
Growth Inc (5-1)	5	25.58	25.64xd	27.31	-0.07	3.39
Growth Acc (5-1)	5	30.01	30.08	32.04	-0.09	–
High Income	6	62.33	62.63	67.64	-0.37	6.95
Income	6	102.4	103.7xd	111.8	-0.50	5.19
Intl Income	6	82.17	82.17	87.51	-0.12	5.51
Intl Growth ♣	6	30.19	30.19xd	32.15	+0.44	0.34
Monthly Income	6	56.73	57.78	61.54	-0.51	5.47
North American	6	95.41	95.41	101.6	+1.85	0.21
Orient ♣	6	87.54	87.54	94.13	+0.18	–
Recovery	6	26.53	26.73	28.87	-0.15	4.09
Smaller Cos Acc	6	186.7	186.7	198.8	-0.50	–
Smaller Cos Inc	6	109.3	109.3xd	116.4	-0.30	1.98

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	178.5	178.5xd	183.51	...	6.80

Buckmaster Mangmt Co Ltd (1200)H
15 St Botolph Street, London EC3A 7JJ 071-247 4542

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq: 0903 204631

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income	5	228.2	232.5xd	247.3	-0.9	5.88
(Accum Units)	5	388.8	396.2	421.4	-1.6	5.88
UK Growth	5	293.5	296.1xd	314.9	-2.1	3.42
(Accum Units)	5	365.4	368.6	392.1	-2.7	3.42
Int Equity Gth ♣	5	53.92	54.06xd	57.51	+0.27	1.12
Intl Bond	5	63.61	63.61xd	66.80	+0.08	6.29
Special Sits Gwth	5	15.06	15.54	16.53	-0.07	3.64
North American Gwth	5	85.44	85.67	91.13	+0.85	0.96
European Growth ♣	6	55.46	55.80xd	59.36	...	1.15

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin. 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries 0277 227300 Dealing 0277 261010						
Intl Bond & Conv	5	117.30	117.60	123.80	+0.20	6.14
Pooled Pension ‡	3½	£137.5	142.0	146.9	...	–
Smaller Cos	5	50.48	52.21	55.01	+0.13	2.56
UK General	5	109.60	111.30	117.20	–0.60	2.80
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	354.53	354.53	375.80	–2.36	5.48
Global Inc	5	50.43	50.43	53.46	–0.09	4.55
Brit Leaders	5	299.65	299.65	317.63	–0.49	3.21
Intl Leaders	5	164.88	164.88	174.77	+1.09	1.88
F As Man Bal Gwth Acc ¥	3½	48.09	48.97	50.88	–0.23	4.21
F As Man Bal Gwth Inc ¥	3½	48.09	48.97	50.88	–0.23	4.21
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham BR3 4TF 081-663 3003						
European Trust	6	46.56	46.56	49.52	–0.11	1.66
Far Eastern Tst	6	52.50	52.96	56.34	+0.12	0.87
Smaller Cos	5	111.2	115.9	123.3	+0.1	3.03
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American ‡	5	257.9	258.5	273.5	–5.5	0.96
S & W Capital	5	106.1	106.1	113.6	–1.3	1.09
S & W Cash ‡	0	101.09	101.09	101.09	+0.01	7.72
S & W European	5	104.9	105.2	111.2	–0.7	1.29
S & W Far Eastern	5	109.1	110.0	116.3	–1.7	0.03
S & W Growth	5	113.8	115.0	121.6	–1.0	1.47
S & W Income	5	99.30	100.7	106.5	–0.5	5.53
S & W Magnum	5	112.4	112.4	120.5	–1.4	1.83
S & W Smllr Secs	5	244.9	250.9	265.5	–0.4	0.94
S & W Thoroughbred	5	129.8	129.8	139.1	–1.5	1.83
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing – 12 Noon Historic						
American Gwth	5¼	73.55	73.55	78.66	+1.44	0
Eur Sp Sits Acc	5¼	40.89	40.89	43.59	+0.11	0

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2¼	88.44	88.44	90.50	–0.04	0.00
Short Dtd Gilt	1¼	106.8	106.8	108.2	–0.5	1.93
U.S. Govmnt Bond	1¼	0.6992	0.6992	0.7083	–0.002	0.00
Gilt Income	4	51.52	51.52	53.61	–0.38	8.68
Gilt Growth	4	63.58	63.58	66.19	–0.32	0.00
City Reserve	0	55.10	55.10	55.10	...	8.8
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	58.86	59.15	62.92	–0.38	2.69

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or –	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Exp Nov 4	642.3	665.3	...	1.05
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	49.81	51.57	(2)	4.7
Income Plus	49.00	49.97	(2)	7.5
James Capel Fund Managers Ltd				
Managed Exempt	119.179	126.003	–0.08	4.28
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Oct 31	544.70	548.30	...	5.40
Fxd Int Sec Oct 31	151.40	152.10	...	9.55
Deposit Fund. See Money Market Trust Funds.				

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4UB 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Grth Mngd	615.6	654.9	-0.8	-
Adventurous Mngd	148.5	158.0	+0.1	-
Cautious Mngd	119.4	127.1	+0.2	-
Cash Fd	313.5	330.4	...	-
Property Fund	217.5	231.4	...	-
Equity Fund	709.7	755.0	+0.4	-
Fxd. Int. Fund	392.6	413.7	+1.0	-
International	319.6	340.1	+0.4	-
High Income	529.0	562.8	-2.0	-
Far East	424.0	451.1	-1.6	-
North American	414.4	440.9	+2.1	-
Special Sits	487.2	518.3	-2.3	-
Technology	411.7	438.0	+1.5	-
Extra Inc Fd	290.1	308.7	-0.6	-
Convertible & Gilt Fd	142.0	151.1	+0.4	-
American Income	167.3	178.0	+1.3	-
Gilt Fund 20	439.0	467.1	-1.1	-
European Fund	114.6	122.0	-0.1	-
Pref & Fixed Int.	107.2	114.1	+0.9	-
UK Blue Chip	109.6	115.5	-0.8	-
Recovery Fund	101.3	106.8	-0.5	-
Equity Income Dist.	98.3	104.6	-0.2	5.02
Managed Dist.	94.4	100.5	-0.1	5.33
High Yield Dist.	101.1	106.6	+0.2	7.71
Pension Funds				
Balncd Gth Mgd Pens Acc	709.9	747.3	-1.3	-
Adventurous Mgd Pens Acc.	154.8	163.0	+0.2	-
Cautious Mngd Pens Acc	136.5	143.7	+0.2	-
Building Soc. Acc	360.6	379.6	....	-
Property Pens. Acc	295.3	310.9		-
Fix Int Pens Acc.	614.6	647.0	-1.2	-
Equity Pens. Acc.	903.6	951.2	+0.2	-
International Pens Acc.	294.6	310.2	+1.2	-
High Inc Pens Acc	594.0	625.3	-2.1	-
Tech Pens Acc	291.1	306.5	+1.6	-
N American Pens Acc.	311.2	327.6	+1.7	-
Far Eastern Pens Acc	418.3	440.4	-1.5	-
Special Sits Pens Acc.	399.5	420.6	-0.6	-
Extra Income Pens Fd	351.0	369.5	-0.6	-
Convertible & Gilt Pen	174.2	183.4	+1.7	-
American Inc Pens.	191.1	201.2	+1.5	-
European Pens.	127.2	133.9	+0.1	-
Managed Cash Pens	169.7	178.7	...	-
Pref & Fixed Pens	125.2	131.8	+0.7	-
UK Blue Chip	115.1	121.2	-1.0	-
Recovery Fund	106.5	112.2	-0.4	-
Unitised With Profits Pen.	106.4	112.0	-	-
Other Funds				
Margett Growth	117.1	123.3	+0.2	-
Margett Income	118.4	124.7	+0.2	-
Margett Pension	128.2	135.0	+0.2	-
NCH Managed	116.6	122.8	-0.1	-
B&B Select Mngd	101.4	106.8	+0.2	-
JNJ Managed Pension	122.9	129.4	-1.6	-
IAS Managed	113.5	119.5		-
Tomlinson Investment P'folio	103.1	108.6	-0.2	-
FNC Prosperity	148.7	156.6	-0.7	-
Cap Retirement P folio	129.3	136.2	-1.4	-
Pembroke Intl	96.8	101.9	+0.5	-
Bank Assurance Portfolio	94.1	99.1	...	-
IAS Pension Managed	137.3	144.6	-0.3	-
Capital Income & Growth	110.0	115.8	-0.4	-
Map Balanced Asset	105.7	111.3	-0.4	-
Countrywide Managed Pens.	98.6	103.8	-0.3	-
Invest Barrow Inc & Grth	100.1	105.4	-0.3	-
Ferndown Retirement Pfolio 2	99.2	104.5	-0.4	-

Prosperity Life Assurance Ltd

1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	152.0	161.0	-0.5	-
Accum Equity	229.0	242.0	-0.5	-
Accum Managed	242.5	256.0	.....	-
Accum Five Star	168.0	177.0	-0.5	-
Accum World	132.0	139.5	-1.0	-
Accum Emerg Mkts	199.0	210.0	+0.5	-
Pens Acc Equity	253.5	267.0	-1.0	-
Pens Acc Managed	311.5	328.0	-1.0	-
Pens Acc Emerg Mkts.	228.0	241.0	+1.0	-
Pens Acc Deposit	228.5	241.0	...	-
Pens Acc Five Star	183.5	193.5	-0.5	-

Providence Capital Life Assc. Co Ltd

2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc.	231.4	244.7	-1.2	-
UK Fixed Int Acc.	211.5	223.2	-2.6	-
Intl Equities Acc.	195.6	206.4	-0.4	-
UK Managed Acc	179.3	189.1	-1.3	-
Property Acc.	223.5	235.8	...	-
Money Acc.	142.9	150.8	+0.1	-
Special Market Acc.	175.8	185.5	+0.1	-
Japan Equity Acc.	83.9	88.6	-0.2	-
North American Acc.	135.8	143.3	+2.1	-
Pacific Acc	121.0	127.7	-0.2	-
European Acc.	106.3	112.2	...	-
Hong Kong Acc.	114.2	120.5	-0.2	-
Int Fixed Interest Acc.	71.1	75.0	+0.1	-
Int Managed Acc	63.6	67.0	-0.1	-
HIP Managed Acc.	126.7	133.6	+0.4	-
HIP Managed II Acc.	114.5	120.7	-0.3	-
HIP Managed III Acc.	122.3	129.0	-0.3	-
Balanced Growth Acc	109.3	115.2	-0.7	-
Building Society		100.0	...	6.75
Total Investment Bond				
UK Equity Initial		155.7	-0.9	-
UK Fixed Int Initial		142.3	-1.7	-
Intl Equities Initial		130.6	-0.3	-
UK Managed Initial		120.6	-0.8	-
Property Initial		151.3		-
Money Initial		96.6	...	-
Special Market Initial		134.8	...	-
Japan Equity Initial		64.3	-0.2	-
North American Initial		104.1	+1.5	-
Pacific Initial		92.9	...	-

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or -	Yield Gross
Deposit Acc Fd	166.5	175.3	+0.1	-
Equity Acc Fd	378.7	398.7	-1.1	-
Managed Acc Fd	336.7	354.5	....	-
Prop Fd (1st Issue)	-	594.5	-	-
Prop Acc Fd (2nd Iss)	122.1	128.5	.....	-
Unit Trust Mn. Fd	154.1	162.3	.....	-
RL Pension Funds				
Deposit Acc.	241.1	253.8	+0.2	-
Equity Acc.	277.1	291.7	-1.0	-
Fixed Int Acc.	245.2	258.1	..	-
Gilt Indx Lnk Acc.	185.9	195.7	....	-
Managed Acc.	368.3	387.7	...	-

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester
Telephone: 0285 640302 Helpline: 041 307 6500

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
JRA/M&G Managed	108.1	113.8	-0.50	-
JRA/Scottish Amicable Mngd	102.9	108.4	-0.10	-
JRA/St James's Place Mngd	111.1	117.0	-0.50	-
Deposit	99.10	104.4	..	-
Far East	114.8	120.9	-1.00	-
Gilts	105.0	110.6	-0.60	-
Greater European	107.8	113.5	-1.60	-
North American	120.6	127.0	-0.40	-
UK Equity	106.4	112.0	-0.10	-
Pension Funds				
JRA/M&G Managed cap	105.6	111.2	-0.70	-
JRA/M&G Managed acc.	108.7	114.5	-0.60	-
JRA/Scottish Amicable Mngd cap	99.50	104.8	-0.20	-
JRA/Scottish Amicable Mngd acc	102.5	107.9	-0.10	-
JRA/St James's Pl Mngd cap	113.6	119.6	-0.40	-
JRA/St James's Pl Mngd Acc	116.9	123.1	-0.50	-
Deposit cap	99.20	104.5	-0.10	-
Deposit acc	102.1	107.5	....	-
Far East cap	112.1	118.0	-1.20	-
Far East acc	115.3	121.4	-1.30	-
Gilts cap.	103.2	108.7	-0.50	-
Gilts acc	106.2	111.8	-0.50	-
Greater European cap	108.1	113.8	-1.90	-
Greater European acc	111.2	117.1	-1.90	-
North American cap	124.1	130.7	-0.60	-
North American acc	127.6	134.4	-0.70	-
UK Equity cap	102.9	108.4	-0.10	-
UK Equity acc	105.9	111.5	-0.10	-

Royal Heritage Life Assurance Ltd

Peterborough Business Pk, PE2 6GG 0733 390000

	Bid Price	Offer Price	+ or -	Yield Gross
Multi Grth		580.0	.....	-
Multi Grth A Cap.	380.3	400.4	...	-
Multi Grth A Accum	580.0	610.6	.....	-
Op Prop.	403.9	425.2	.....	-
Op Equity	760.6	800.7	-1.1	-
Op High Yld.	498.0	524.3	-3.1	-
Op Man.	613.6	645.9	-0.3	-
Op Dep.	366.0	385.3	.....	7.80
Op Inc Dist	197.6	208.0	-0.4	7.74
Op Int Man.	343.8	361.9	+0.2	-
Op Emerging Co's	295.8	311.4	+1.2	-
Op Money	101.9	107.3	....	-
European	96.5	101.6	....	-
Pension Funds				
Property Ser B	751.6	791.2	.....	-
Equity Ser B	2365.4	2489.9	-7.4	-
Fixed Interest Ser B	938.0	987.4	-5.6	-
Managed Ser B	1211.3	1275.1	-2.6	-
Deposit Ser B	770.7	811.3	.....	-
Money Ser B	101.4	106.8	.....	-
Property Ser D		196.0	.....	-
Equity Ser D		162.4	-0.5	-
Fixed Interest Ser D		236.3	-1.4	-
Managed Ser D		157.4	-0.3	-
Deposit Ser D		232.2	.....	-
Money Ser D		108.3	.....	-
Pension Unit Trust Funds				
Gartmore Global Ser B	199.8	210.4	-1.9	-
Gartmore NA Ser B	134.2	141.3	-1.6	-
Gartmore Pacific Ser B	369.4	388.9	-6.6	-
Henderson Acc Ser B	199.4	209.9	-0.9	-
Perpetual Mng Ser B	217.3	228.8	-1.7	-
Framlington Mn Ser B	193.1	203.3	-0.4	-
Gartmore Mngd Ser B	228.8	240.9	+0.7	-
Gartmore Euro Ser B	154.0	162.2	-0.6	-
Gartmore Global Ser D		128.8	-1.2	-
Gartmore NA Ser D		156.0	-1.8	-
Gartmore Pacific Ser D		198.9	-3.5	-
Henderson Acc Ser D		151.2	-0.7	-
Perpetual Mng Ser D		162.8	-1.3	-
Framlington Mn Ser D		158.2	-0.3	-
Gartmore Mngd Ser D		192.8	+0.6	-
Gartmore Euro Ser D		120.8	-0.5	-
Baring Funds				
Eastern	295.8	311.4	-0.6	-
European Smllr Cos.	150.0	157.9	-0.3	-
Managed	171.0	180.0	+0.4	-
Gartmore Funds				
British	313.5	330.0	-0.6	-
European	199.4	209.9	.....	-
Frontier Markets	137.5	144.8	+1.0	-
Intl Fixed Interest	107.2	112.9	+0.6	-
Gold Intl Resources	45.4	47.8	+0.2	-
High Inc.	234.2	246.6	-1.3	-
Hong Kong	296.5	312.2	-1.3	-
Income	331.9	349.4	-0.5	-
Japan	280.6	295.4	+1.3	-
UK Smlr Cos	219.7	231.3	-0.9	-
Man Gth	366.8	386.2	+0.1	-
Global Inc & Grth	148.3	156.2	+0.5	-

هكذا من الأصل

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
IBI Global Funds Limited				
Intl £Stlg Gwth.	£20 46	21 55	....	–
Intl $US Gwth.	$17.62	18.55	....	–
High Income Gilt.	£26.34	27.30	....	–
International Equity	£20.52	21.61	....	–
International Bond.	£22.81	23.65	....	–
Managed Currency	£27.71	28.00	....	–
Sterling Currency	£26.34	26.62	....	–
US$ Currency	$37.70	38.09	....	–
Irish £ Currency	I£15.06	15.22	....	–
R & H Fund Managers Ltd				
FM Sterling Fd.	£11.10	11.58	....	–
R.F. Offshore Inc Fd Ltd	$11.58	12.19	....	–
Target International (Isle of Man) Ltd				
HMC Offshore Fd	£9.10	9.80	....	–
N-Gen Miller W/W $/S	£8.79	9.16	....	–

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond	5		I£–20.8010	20.8086	....	–
Managed Capital Bd	5		I£–20.9201	20.9432	....	–
AIB Gruffund Currency Fund Limited						
Stlg Mngd Currency	5		£–	10.9054	....	–
Sterling Currency Fd	5		£–	10.4914	....	–
Ecu Currency	5		Ecu–	10.6974	....	–
US Dollar Mngd Curr	5		$–	21.4821	....	–
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						
Australian Eq (Inc)	5¼	$0.829	0.838	0.886	[illegible]	1.0
Global Income (Inc)	5¼	$0.509	0.516	0.552	[illegible]	2.4

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inv Port	£2.503	2.629	....	1.25
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9.92	9.97	+0.06	9.43
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Nov 12	$13.10	13.37	....	2.99
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income (z)	53.7	56.0	....	7.97
UK Equity Fd (z)	210.5	224.0	+0.01	2.86
*Intl Bond Fd	108.8	104.0	....	7.09
*Sterling Mngd Asset Fd	540.2	569.0	....	5.00
*Sub. day every Thurs.				
NatWest TrustCor Currency Fund (z)				
Dollar Class		$38.0575	-0.0158	–
Sterling Class		£26.7969	+0.0080	–
D-Mark Class		DM83.0394	+0.0187	–
Dutch Guilder Class		DI 82.5430	-0.0165	–
Japanese Yen Class		Y7943.7847	+0.6551	–
Adderton Replica Portfolio Ltd				
Adderton Replica P'folio Ltd £	11.22	11.68	....	–
Adderton Replica P'folio Ltd $	$10.26	10.66	....	–
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Nov 12	$35.22	37.45	....	–
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd	$3.6353	3.8693	....	–
Offshore Japanese Gwth Fd	$0.8583	0.9122	....	–
Offshore Am Gwth Fd	$6.1951	6.5836	....	–
Offshore Emerging Cos	$3.5481	3.7706	....	–
Offshore European Fd	$1.4628	1.5540	....	–
Offshore Far Eastn Fd	$2.2162	2.3552	....	–
Offshore UK Growth Fd	$1.7263	1.8346	....	–
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Nov 6		$4.45	....	–
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£14.42	14.64	....	1.43

	Bid Price	Offer Price	+ or -	Yield Gross
Worldwide Limited				
NAV Sep 30		$86.58	....	–
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$1.1496	....	–
Xiphias Int ECU		Ecu1.1043	....	–
Yamaichi Capital Mngmt (Guernsey) Ltd				
Thai Inv Fund		$12.45		–

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. b Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ß Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase after dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark weakens on forecast

THE DOLLAR showed a new bout of strength against the D-Mark yesterday after a group of independent German economists predicted that there will be zero per cent growth in Germany in 1993.

The report, by the "five wise men" who give independent advice to the German government, led to immediate speculation that the Bundesbank will have to ease monetary policy more quickly than it wishes, *writes James Blitz.*

After a sharp fall against the D-Mark on Friday, the dollar received a boost from Germany's grim economic news, rising nearly 2¼ pfennigs on the day to a close of DM1.59 at the end of European trading. In afternoon trading in North America, the dollar continued its progress, reaching DM1.5947.

In recent weeks, foreign exchange dealers have started to believe that the anticipated cut in German official rates may not take place before the New Year after all.

However, the report by five leading economics professors hired to give the German government independent advice has encouraged speculation that the Bundesbank may have to lower the Discount rate, currently at 8.25 per cent, next month.

The dollar's progress was partly compounded by another set of US economic data suggesting that economic recovery may be underway. Industrial production in October was up 0.3 per cent, while recent indicators have shown a sharp rise in monetary growth, suggesting that bank lending is on the increase.

However, the increasing gloom on Germany's economic prospect was the dominant news in all currency trading, and triggered another bout of strength for the French franc against the German currency. The franc peaked at FFr3.367 from a previous close of FFr3.373.

The move was also helped by the Bank of France's decision not to reduce its key lending rates for the third time in two weeks, contrary to the market's expectations. The lira also appreciated against the D-Mark, closing at L853 from a previous L854.6.

Again, the spotlight was on sterling as the one seriously weak currency in Europe. The pound fell 1¼ pfennigs against the D-Mark to close at DM2.4150, and 3 cents against the dollar to a close of $1.5195.

Opinion remains divided on where the pound goes from here, now that the Autumn Statement has been delivered. Mr Steve Hannah, head of research at IBJ International in London, was yesterday sticking to the view that the pound should remain above DM2.40, because of the incipient weakness of the D-Mark.

However, he believes the political uncertainty created by the arms-for-Iraq scandal is a new and unsettling factor for sterling. "If the political side gets worse, we'll have to jettison our economic views and accept that politics can drive us away from the economic fundamentals," he said.

£ IN NEW YORK

Nov.16	Latest	Previous Close
£ Spot	1.5195-1.5205	1.5500 1.5510
1 month	0.54-0.52pm	0.54 0.52pm
3 months	1.32-1.29pm	1.31 1.28pm
12 months	3.65-3.55pm	3.70 3.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.16	Previous
8.30 am	78.2	77.8
9.00 am	77.9	77.9
10.00 am	77.9	78.1
11.00 am	77.8	78.3
Noon	77.8	78.3
1.00 pm	77.9	78.4
2.00 pm	78.0	78.5
3.00 pm	78.0	78.4
4.00 pm	77.9	78.5

CURRENCY RATES

Nov 16	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.904183	0.814636
U.S Dollar	3.00	1.39407	1.24151
Canadian $	6.18	1.76141	1.57609
Austrian Sch	8.25	15.4031	13.8527
Belgian Franc	7.75	45.0215	40.4731
Danish Krone	9.50	8.40694	7.54277
D-Mark	8.25	2.18855	1.96903
Dutch Guilder	7.75	2.45775	2.21485
French Franc	10	7.36836	6.63647
Italian Lira	13.00	1886.66	1681.54
Japanese Yen	3.25	172.544	154.443
Norway Krone	–	8.92275	8.01019
Spanish Peseta	–	156.359	140.900
Swedish Krona	11.50	8.24732	7.41303
Swiss Franc	6.00	1.97777	1.77846
Greek Drach	19	N/A	255.663
Irish Punt	–	N/A	0.743283

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Nov.13

CURRENCY MOVEMENTS

Nov 16	Bank of England Index	Morgan** Guaranty Changes %
Sterling	77.9	–31.47
U.S Dollar	65.2	–13.30
Canadian Dollar	94.7	–6.94
Austrian Schilling	113.5	+15.07
Belgian Franc	115.4	+1.27
Danish Krone	115.1	+8.35
D-Mark	123.7	+30.05
Swiss Franc	111.2	+19.48
Dutch Guilder	118.6	+20.07
French Franc	109.2	–7.66
Lira	89.2	–27.77
Yen	149.2	+85.69
Peseta	98.2	–25.37

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Nov.13

OTHER CURRENCIES

Nov 16	£	$
Argentina	1.5245 - 1.5275	0.9990 - 1.0000
Australia	2.2115 - 2.2135	1.4505 - 1.4515
Brazil	13535.5 - 13544.5	8872.20 - 8872.40
Finland	7.6680 - 7.7060	5.0400 - 5.0500
Greece	310.050 - 316.300	203.730 - 207.800
Hong Kong	11.7845 - 11.8005	7.7310 - 7.7320
Iran	2230.00*	1455.00*
Korea(Sth)	1199.15 - 1218.50	779.30 - 785.50
Kuwait	0.45500 - 0.45600	0.29830 - 0.29860
Luxembourg	49.65 - 49.75	32.65 - 32.75
Malaysia	3.8415 - 3.8505	2.5220 - 2.5230
Mexico	4748.85 - 4751.85	3114.00 - 3116.00
N. Zealand	2.9270 - 2.9320	1.9195 - 1.9225
Saudi Ar.	5.7370 - 5.8320	3.7495 - 3.7505
Singapore	2.4925 - 2.4995	1.6355 - 1.6365
S.Af (Cm)	4.5615 - 4.5735	2.9980 - 3.0000
S.Af (Fn)	7.1095 - 7.1600	4.6620 - 4.6950
Taiwan	38.65 - 38.85	25.35 - 25.45
U.A.E.	5.6175 - 5.7125	3.6715 - 3.6735

*Floating rate. Iran Official rate £100.50 $65.95

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 16	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.4731	–3.53	4.94	46
Dutch Guilder	2.29193	2.21485	–3.36	4.76	39
D-Mark	2.03412	1.96903	–3.20	4.59	40
Danish Krone	7.75901	7.54277	–2.79	4.14	10
French Franc	6.82216	6.63647	–2.72	4.07	8
Irish Punt	0.759300	0.743283	–2.11	3.42	–21
Portuguese Escudo	176.844	174.816	–1.15	2.41	–5
Spanish Peseta	139.176	140.900	1.24	0.00	–45

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Nov 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5170 - 1.5435	1.5190 - 1.5200	0.53-0.51cpm	4.11	1.31-1.27pm	3.40
Canada	1.9275 - 1.9450	1.9275 - 1.9285	0.15-0.04cpm	0.59	0.31-0.10pm	0.43
Netherlands	2.7125 - 2.7300	2.7125 - 2.7225	¼-⅜cdis	–1.38	1-1¼dis	–1.66
Belgium	49.55 - 49.85	49.65 - 49.75	4-7cdis	–1.33	17-24dis	–1.65
Denmark	9.2400 - 9.3100	9.2500 - 9.2600	2¾-3½oredis	–3.97	8-9½dis	–3.75
Ireland	0.9095 - 0.9160	0.9095 - 0.9105	0.78-0.68cpm	9.63	2.10-1.90pm	8.79
Germany	2.4100 - 2.4275	2.4125 - 2.4175	¼-⅜pfdis	–1.55	1-1¼dis	–1.76
Portugal	213.50 - 215.25	213.50 - 214.50	170-195cdis	–10.23	510-575dis	–10.14
Spain	172.40 - 174.00	172.70 - 173.00	88-106cdis	–6.73	281-309dis	–6.83
Italy	2058.00 - 2071.50	2060.00 - 2061.00	10-12liredis	–6.41	33-36dis	–6.70
Norway	9.8150 - 9.8850	9.8175 - 9.8275	2-3½oredis	–3.36	8¼-9½dis	–3.61
France	8.1275 - 8.1800	8.1400 - 8.1500	1¼-1½cdis	–2.03	4⅜-4⅞dis	–2.27
Sweden	9.0875 - 9.1650	9.0900 - 9.1000	4-6oredis	–6.6	13-17dis	–6.60
Japan	189.00 - 191.25	189.25 - 190.25	⅝-½ypm	3.56	1⅝-1⅜pm	3.56
Austria	16.95 - 17.08	16.97 - 17.00	1⅜-2⅜grodis	–1.32	5¼-7¼dis	–1.56
Switzerland	2.1750 - 2.1900	2.1800 - 2.1900	¼-⅛cpm	1.03	¼-⅛pm	0.34
Ecu	1.2275 - 1.2335	1.2285 - 1.2295	0.25-0.33cdis	–2.83	0.82-0.94dis	–2.86

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.28-2.23pm . 12 Month 3.70-3.60pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5170 - 1.5435	1.5190 - 1.5200	0.53-0.51cpm	4.11	1.31-1.27pm	3.40
Ireland†	1.6650 - 1.6765	1.6660 - 1.6670	1.75-1.65cpm	12.24	4.55-4.30pm	10.62
Canada	1.2620 - 1.2715	1.2695 - 1.2705	0.35-0.40cdis	–3.54	0.90-1.10dis	–3.15
Netherlands	1.7715 - 1.7890	1.7875 - 1.7885	0.82-0.85cdis	–5.60	2.25-2.30dis	–5.09
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

Nov.16	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.519	2.415	189.7	8.145	2.185	2.71[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.658	1	1.590	124.9	5.362	1.438	1.78[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.414	0.629	1	78.55	3.373	0.905	1.12[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	5.271	8.007	12.73	1000.	42.94	11.52	14.3[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.228	1.865	2.965	232.9	10.	2.683	3.33	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.458	0.695	1.105	86.82	3.728	1	1.24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.368	0.559	0.889	69.82	2.998	0.804	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.485	0.737	1.172	92.09	3.954	1.061	1.31[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.519	0.788	1.253	98.39	4.225	1.133	1.40[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	2.012	3.056	4.859	381.7	16.39	4.396	5.46[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pta	0.579	0.879	1.398	109.8	4.714	1.264	1.57[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.814	1.236	1.965	154.4	6.627	1.778	2.21[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
108	2.59	-	-	0.01	0.26	-
109	-	2.73	-	0.02	0.42	-
110	0.71		-	0.13	0.67	-
111	0.14	1.98	-	0.53	1.01	-
112	0.04	0.89	1.51	-	-	1.76
Open Int	228,657	149,223	17,612	234,068	100,836	9,180

Estimated volume 22,433 † Total Open Interest 739,576
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	7	Credit Lyonnais	7	McDonnell Douglas Bnk.	7
Allied Trust Bank	8	Cyprus Popular Bk	8	Midland Bank	7
AIB Bank	7	Duncan Lawrie	8	Mount Banking	8
● Henry Ansbacher	7	Equatorial Bank plc	7	NatWestminster	7
B & C Merchant Bank	13	Exeter Bank Limited	8.5	Northern Bank Ltd	7
Bank of Baroda	7	Financial & Gen. Bank	8	Nykredit Mortgage Bank	8.5
Banco Bilbao Vizcaya	7	● Robert Fleming & Co.	7	● Rea Brothers	7
Bank of Cyprus	7	Girobank	7	Roxburghe Bank Ltd.	10
Bank of Ireland	7	● Guinness Mahon	8	Royal Bk of Scotland	7
Bank of India	7	Habib Bank AG Zurich	8	● Smith & Williamson Secs.	7
Bank of Scotland	7	● Hambros Bank	7	Standard Chartered	7
Banque Belge Ltd	7	Hampshire Trust Plc	13.5	TSB	7
Barclays Bank	7	Heritable & Gen Inv Bnk.	8	Unibank plc	7
Brit Bk of Mid East	7	● Hill Samuel	7	● United Bk of Kuwait	8
● Brown Shipley	7	C. Hoare & Co.	7	Unity Trust Bank Plc	7
CL Bank Nederland	7	Hongkong & Shanghai	7	Western Trust	7
Citibank NA	7	Julian Hodge Bank	7	Whiteaway Laidlaw	7
City Merchants Bank	8	● Leopold Joseph & Sons	7	Yorkshire Bank	7
Clydesdale Bank	7	Lloyds Bank	8		
Co-operative Bank	7	Meghraj Bank Ltd	7		
Coutts & Co	7				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Firmer UK rates

CASH RATES in the sterling money market yesterday firmed sharply from Friday night's levels, as dealers continued to take the view that there will be no more cuts in UK base rates before the New Year.

The mood in European markets was somewhat more bullish in the morning, however. Short-dated Euromark futures rose sharply after a group of leading German economists forecast zero per cent growth in Germany in 1993. This implies that there may be greater pressure on the Bundesbank to ease monetary policy, *writes James Blitz.*

Despite the UK government's continued commitment to easing monetary policy, the sterling cash market believes that policy is changing cautiously.

UK clearing bank base lending rate 7 per cent from November 13, 1992

At the weekend, Mr Norman Lamont, the UK chancellor, said that the recent cuts in rates and the September devaluation of sterling amounted to "a very considerable relaxation" of policy. Dealers believe that 6 per cent base rate is inevitable, but the government will tread carefully before signalling it.

Three-month money therefore rose sharply from an offered rate of 7¼ per cent on Friday night to a close of 7⅜ per cent.

One month money, a rate at which commercial banks do much trading, rose from around 7¼ per cent on Friday to 7⅜ per cent last night.

The sharpness of yesterday's rise in market rates partly reflects the decision of commercial banks to fund their books further down the yield curve. Rates there are cheaper, and it is safer now to lock into the longer-dated maturities.

One dealer also suggested that the approach of the new year, when bank balances must reflect the share of assets and cash required by central banks, meant that rates were being pushed higher.

He said that Japanese banks had aggressively paid higher rates to meet such requirements.

Euromark futures rose sharply yesterday morning after a group of economic forecasters who give independent advice to the German government forecast zero real growth next year.

The report from the "five wise men" triggered renewed speculation that the Bundesbank will further ease monetary policy before the end of the year. The March contract rose 12 basis points to a high of 92.25, and closed at 92.08.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

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ACROSS

1 Game for loyal party member (6,2,6)
10 Country taking in reciprocal aid (5)
11 Topping performance (9)
12 Strain, we hear, inducing love? (7)
13 She robbed her sleeping partner of his capital assets (7)
14 Emile provides something fragrant (5)
16 Prospero's perverted tyrant (9)
19 Aid papers about to cease to exist (9)
20 Played in the Test (5)
22 Iron sort of cup (7)
25 Possibly pleased to have passed (7)
27 Start school (9)
28 How to take leave in France (5)
29 Suit for an Amazon? (6-8)

DOWN

2 They're square sundials, for example (3-6)
3 Minimum of a quarter allowed to go round (5)
4 But hardly the look of one banishing the blues (9)
5 Return from the capital (5)
6 Exuberant farm animal that is caught in a tangled net (9)
7 A bit of exercise? (5)
8 Western stock-holder (7)
9 Cheeky but attractive feature (6)
15 Just not taking sides (9)
17 Stand by ascetic (9)
18 A tree northerners long for (5,4)
19 Diana's a girl to fire (7)
21 Monotony I find in strangely muted setting (6)
23 More than one ghost writer (5)
24 Born under Victoria, true (5)
26 Accumulate a great amount (5)

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WORLD STOCK MARKETS

AUSTRIA

November 16	Sch	+ or –
Austrian Airlines	1,800	–14
Creditanstalt Pf	432	+3
EA General	2,940	+20
EVN	759	+1
Jungbunzlauer	16,100	–400
OeMv	653	+5
Perlmooser Zement	1,070	....
Radex Heraklith	374	+3
Reininghaus Brue	990	+14
Steyr Daimler	185	....
Veitscher Magnesit	228	+13
Verbund (Br) A	400	–1
Vienna Int Airport	465	....
Wienerberger	3,005	+5
Z-Laenderbank	1,010	....

BELGIUM/LUXEMBOURG

November 16	Frs.	+ or –
AG Group	2,125	–10
Ackermans	2,525	+20
Almanij	6,150	....
Arbed	1,860	–260
BBL	3,550	....
Bank Intl a Lux	11,500	....
Banq Gen Lux Prs	12,755	+5
Banque Nat Belg	31,550	–250
Bekaert	12,500	+25
CBR Ciment	7,750	–30
CMB	1,660	–20
Cobepa	4,260	+10
Cockerill Priv	112	....
Colruyt	5,110	+80
Delhaize Frs Lion	1,472	–8
Electrabel	5,300	....
Electrabel AFV1	5,190	–20
Electrafina ACT	2,120	....
GBL	2,750	–50
GBL AFV 1	2,690	–30
GIB Group	1,350	–10
Generale Banque	7,420	....
Gevaert	6,230	+10
Glaverbel	3,000	–10
Immobel	2,550	–20
Kredietbank	5,790	–90
Kredietbank AFV	5,630	–70
Mecaniver	5,450	....
Mosane	1,360	–18
Pan Holding Lux	12,400	....
Petrofina	7,970	+150
Powerfin	2,320	–5
Recticel	336	–10
Royale Belge	4,060	–10
Royale Belge AFV 1	3,900	....
Soc Gen Belge	1,825	....
Soc Gen Belge AFV	1,950	+80
Sofina	10,625	+25
Solvac	1,284	....
Solvay	11,575	–25
Tractebel	7,710	–90
UCB	23,100	–100
Union Miniere	2,050	–35

DENMARK

November 16	Kr	+ or –
Baltica Holding Reg	210	–7.50
Bikuben	210	....
Carlsberg A	282	–1
D/S 1912 A	84,000	+500
Danisco	667	+17
Den Danske Bank	231	–9
East Asiatic	91.50	–0.50
FLS Ind B	465	–5
Great Nordic	288	....
ISS Intl Serv B	872	–8
Jyske Bank Reg	231	+5
Lauritzen (J) B	1,600	....
NKT A/S	190	–8
Novo Nord B	540	+4
Sophus Berend A	399.25	–16.75
Sophus Berend B	389	–9
Superfos	385	–50
TopDanmark	730	–50
Unidanmark A	134	–7

FINLAND

November 16	Mkk	+ or –
Amer	76.80	–1.20
Cultor	77	–6
Enso R	20.20	+0.70
Huhtamaki I Free	160	–1
KOP	9	–0.30
Kone B Free	435	+5
Kymmene	68.50	–1
Metra B Free	75.90	+1.90
Nokia Pref Free	64.10	–0.90
Pohjola B Free	34	....
Repola (Free)	42.50	–3.40
Stockmann B	129	+4
Tampella Free	18	....
Unitas Bk C Free	5	....

FRANCE

November 16	Frs.	+ or –
AGF	415.40	–3.60
Accor	572	–10
Air Liquide	728	–13
Alcatel Alsthom	645	–17
Auxil Entrepr	713	....
Axa	881	–6
BIC	904	+3
BSN	965	–10
BNP Cert Inv	389	–2.70
Bancaire Cie	361.10	–3.90
Bongrain	3,150	....
Bouygues	522	–7
CGIP	994	+5
Canal+	1,048	–22

FRANCE (continued)

November 16	Frs.	+ or –
Cap Gemini S	168.40	–1.10
Carnaudmetalbox	183.70	–2.30
Carrefour	2,485	–13
Casino	144	+1
Chargeurs	1,235	–1
Club Mediterranee	366	–9
Cogifi	301.50	—
Coparex Int	587	....
CCF	209	–1.40
Cr Fonc France	909	+4
Cred Lyon (CD)	375	–8.90
Credit Nationale	1,090	+14
Damart	3,045	....
Docks de France	394	–8
Dollfus Mieg Cie	281	–2
EBF	771	–19
Eaux Cie Genl	2,024	–6
Ecco	344	+2
Elf Aquitaine	361.70	–7.40
Elf Aquitaine Certs	250	–4
Elf Sanofi	1,092	+5
Eridania B-Say	585	+9
Eridania B-Say CI	480	–9
Essilor Int	388	–1
Etex	1,650	....
Eurafrance	1,148	–1
Euro RSCG	450	–3.50
Euro Disney	74.40	–5.15
Fin Poliet	423.10	+0.10
Finextel	106	+2.50
Fonc Lyonnaise	535	....
From C et Aux	3,395	–5
GTM-Entrepose	299	+13.90
Gal. Lafayette	1,940	–30
Gaumont (Soc N)	360	....
Geophysique	590	+11
Hachette	97.10	+2.35
Havas	427	–4
Imetal	307	....
Imm de France	730	–8
Immobanque	627	–3
Immob Phenix	119	–1
Interbail	415	....
Intertechnique	390.50	....
LVMH	3,702	–21
Lafarge Coppee	310	–4
L'Oreal	943	–25
Legrand	3,940	–68
Legris	146.50	–1.50
Lyons Eaux Dumez	475.30	+0.20
Matra	197.80	+0.90
Michelin B	186.50	–8.10
Moulinex	81	+1
Navigation Mixte	770	–10
Nord Est	120	+0.90
Orsan	120	–1
Paribas	338	–5.10
Paris Reescompte	231	+3
Pernod Ricard	395	–4.10
Peugeot	498	+1.50
Pinault	313	–1
Promodes	575	+4
Radiotechn	294	....
Redoute	6,200	–30
Rhone Poulenc Cts	524	–1
Roussel-Uclaf	420	–14
SILIC	526	+1
Sagem	2,180	+10
Saint Gobain	483	–9.20
Saint Louis	1,098	+10
Schneider	574	–4
Seb SA	356.50	–11.50
Sefimeg	419.50	+0.50
Simco	438	–0.50
Skis Rossignol	724	+10
Soc Generale de Fr	547	–8
Sommer-Allibert	1,145	+25
Spie Batignolles	275	+0.50
Suez (Cie de)	243.10	–7.40
Taittinger	2,010	–10
Thomson C S F	130.30	+3.40
Total B	236	–3.40
UAP	416	+0.50
UFB Locabail	188	+12
Unibail	411	–2
Union Immob Fr	465.50	–9.50
Valeo	685	–14
Vallourec	119.50	+1.50
Worms Cie	212	+0.60

GERMANY

November 16	Dm.	+ or –
AEG	148.30	....
AG Ind & Verk	442	+1
Aachen Mch (Reg)	805	+10
Allianz AG	1,991	+1
Altana Ind	511.50	+2.50
Asko	505	+20
Asko Prf	395	+25
BASF	215.70	+0.40
Badenwerk	269	–0.50
Bayer	265.10	+0.60
Bayer-Hypo	404.80	–1.70
BMW (Br)	502	–3
Bayer Vereinsbk	417.50	–4.50
Beiersdorf	690	–5
Berliner Bank	255.50	–7.50
Berliner Kraft	126.50	+0.80
BHF Bank	404	–3
Bilf. & Berger	928	....
Colonia Konzern	750	–30
Colonia Konzern Pf	445	....
Commerzbank	244	–2.50
Continental AG	205.50	+3.70
DLW	466.50	+3.50
Daimler-Benz	539.40	–14.60
Deckel (Fr)	36	–3.50
Degussa	338.50	+2.50
Deutsche Babcock	146.50	+0.70
Deutsche Bank	675	+0.50
Didier-Werke	106	+1
Douglas Hldg	435.50	+8.50
Dragerwerk	211	....

JAPAN

November 16	Yen	+ or –
Ajinomoto	1,230	+20
Akebono Brake Ind	426	–14
All Nippon Airways	939	–6
Alps Electric	799	+4
Amada Co	951	–4
Amano Corp	1,100	–30
Ando Construction	600	....
Anritsu	665	+5
Aoki Corp	430	–12
Aoyama Trading	7,180	....
Arabian Oil Co Ltd	3,600	+10
Asahi Bank	785	–3
Asahi Breweries	1,020	–10

November 16	Yen	+ or –
Japan Metals & Chem	575	–15
Japan Radio	1,050	....
Japan Steel Works	406	–2
Japan Storage Batt	678	+7
Japan Syn Rubber	415	–5
Japan Wool	976	–13
Jujo Paper	440	–5
Jusco	1,280	–20
Kagome	1,000	–30
Kajima	810	–5
Kaken Pharm	1,310	+30
Kandenko	1,930	–10

CANADA

INDICES

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Monday, November 16, 1992

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FINANCIAL TIMES

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

3 pm November 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11	AAR Corp	0.48	4.0	19	298	12⅛	11¾	11⅞	-¼
29½	18	A L Labs A	0.18	0.8	1352	750	22	21⅛	21¾	+⅞
68¾	52⅞	AMP Inc x	1.52	2.7	21	1898	57⅛	55½	56¼	-6⅛
80¼	54⅛	AMR				129080	63⅞	62¾	63½	-1¼
2⅛	1⅛	ARX			12	60	2	2	1⅞	
53½	30¾	ASA x	2.00	6.3	21	145	32	31⅝	31¾	-½
34¼	26⅛	Abbott Lab	0.60	2.0	21	6319	30¼	29⅞	30¾	+½
13⅞	10⅜	Abitibi Pr	0.40	3.6	5	11	11	11	11	
11⅝	10⅛	ACM Gvt In x	1.01	9.3		145	11	10⅞	10⅞	-⅛
10⅛	9⅛	ACM GvOpp x	0.87	9.4		3	9⅛	9¼	9¼	
9¾	8½	ACM Gvt Sp x	0.79	8.9		216	8⅞	8¾	8⅞	+⅛
11⅜	10⅛	ACM Gvt Sc	0.96	8.9		412	10¾	10⅝	10¾	+⅛
10⅝	8⅝	ACM Man x	1.00	10.1		219	10	9⅞	9⅞	-⅛
12⅞	9⅛	ACM Mangd x	1.09	11.9		603	9⅛	d9	9⅛	-⅛
11¾	4¼	Acme Cleve x	0.40	5.0	15	687	8⅛	7⅛	8	+⅜
6¼	3¾	Acme Elect			65	27	4⅛	4¼	4¼	-¼
33¼	14⅛	Acuson			12	1069	16⅞	16⅛	16¼	+⅛
20¾	16⅛	Adams Expr	1.74	8.3		14567	u21	20⅝	21	+¼
49⅛	29½	Ad Micro	3.00	7.1		78	42⅞	42⅛	42½	
21½	7½	Ad Micro P	3.00	18.2		64092	16⅝	16¼	16½	
9⅛	4⅞	Advest Grp	0.16	2.7	12	2	6	6	6	
42⅞	33	Aegon ADR	1.35	3.2	7	2	41¼	41¼	41¼	
47	38	Aetna Ll	2.76	6.4	12	1146	43⅝	42⅝	43⅛	+⅛
12¾	6⅜	Ahl A x	0.24	2.2	14	2227	11¼	10⅞	11	-¼
34	24	Aflac x	0.44	1.5	13	402	29½	29⅜	29½	
19⅞	13	Ahmanson x	0.88	5.6	7	1924	15⅛	15	15⅛	+⅛
22½	4	Aileen Inc			9	167	5½	5¼	5⅜	-⅛
49½	36½	Air Pr Chm	0.88	1.8	19	720	48½	48	48	-⅜
29¾	12½	Airbns Frt x	0.30	1.7	98	424	18½	17½	17¾	-¾
40⅛	22⅝	Airgas Inc			29	134	38¾	38½	38⅝	-½
12⅞	8⅛	Airlease	1.68	15.3	8	44	11	10¾	11	+¼

1992 High	Low	Stock	Div.	Yld. %
13⅛	9½	Bell Indus	0.40	3.4
55⅞	42⅝	BellSouth	2.76	5.8
48⅞	30⅞	Bein AH A x	0.56	1.3
29⅝	19¾	Bemis x	0.48	2.0
56½	50	Benef 4.3P	4.30	8.0
67¼	66¼	Benef	2.80	4.7
23⅛	18¼	Benetton A	0.33	1.6
1⅜	¼	Benguet B	0.04	4.9
6850	6575	Berksh Hwy		
24	16¾	Berlitz	0.66	3.2
14⅛	10¾	Berry Petr	0.60	5.5
33¼	14⅛	Best Buy		
28	20¾	Beth St 2 x	2.50	10.1
51⅛	40⅝	Bethlm Pf x	5.00	10.1
17¼	10	Bethlhm St	0.40	7.9
12⅛	7¼	Beverly En		
26½	16	BiocraR	0.10	0.6
32¼	20⅛	Birmingm S	0.60	1.8
26⅞	14⅝	Black & D	0.40	2.1
32¼	25⅞	Black H FL x	1.24	4.9
11⅛	9⅞	BlckrckAdv x	0.92	9.0
10⅞	8⅞	Blckrcklnc x	0.95	11.0
11⅞	9¾	BlckrckTgt x	0.90	9.2
41⅛	30⅛	Block H&R	0.88	2.3
18⅝	11⅛	Blockbustr	0.04	0.2
8¼	7⅞	Blue Chip	0.77	9.8
12⅛	8½	BMC Ind		
54⅝	34⅛	Boeing x	1.00	2.8
25⅜	16⅞	Boise Casc	0.60	3.1
6¾	3⅝	Bolt B & N	0.06	1.2
22⅞	12⅜	Bordn Ch	1.80	14.3
24⅛	12⅝	Bordn Ch U	1.38	10.8

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng Prev. Close
55	50½	Xerox4.125				5	54	54	53	-1
34½	24⅞	Xtra 1.94	1.94	5.8		z100	33½	33½	33¼	
47½	28½	Xtra Corp	0.80	1.7	14	89	46⅜	46	46⅜	+⅜
30⅝	25¼	Yankee Egy	1.66	6.2	12	65	26¾	26½	26¾	+¼
1½	½	Zapata			23	484				
11⅛	5	ZenithElec				12029	5½	5¼	5⅜	
19½	14½	Zenith Nat	1.00	6.9	8	36	17	16¾	16⅞	
7½	6	Zenix Inc x	0.83	12.5		104	6⅝	6½	6⅝	+0.71
13¼	10	Zero Corp x	0.40	3.1	20	20	13⅛	13	13	-⅛
38	27¾	Zurn Ind	0.88	2.4	41	176	37⅛	36¾	36⅞	-⅜
14⅛	12	Zweig Fund	1.12	8.6		411	13	12¾	13	+¼
11	9½	Zweig Toll x	0.96	9.7		493	10	9⅞	9⅞	-⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm November 16

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Oisten x	0.32	28	241	u34¼	33⅞	34⅛	+⅜
Pegasus G	0.10	28	274	13¾	13½	13⅝	-⅛
Perini	0.80	16	38	16½	16¼	16⅜	+⅛
Pat H&P	1.14	12	4	15½	15⅜	15⅜	
Phil LD	0.28	16	265	38⅝	38⅛	38¼	-¼
Pittway A	1.10	17	19	u33¼	32⅞	32⅞	
Ply Gem x	0.12	20	45	10	9⅞	10	+⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Bow Valley		2	z100	8	d8	8¼	
Bowmar		14	182	2⁹⁄₁₆	2½	2½	-⅛
Bowne	0.30	8	161	13⅞	13¾	13¾	+⅛
Brascan A	0.88	24	44	11⅛	d10⅞	10⅞	-⅛
BSN Corp	0.18	21	426	12⅜	12⅛	12⅛	
Cal Engy		17	733	15⅝	15¼	15⅝	+¼
Calprop		0	10				
Cap Mar x	0.23	8	3	10⅝	d10¼	10⅝	+0.34
Chmbrs A	0.01	100	454	5⅛	5	5	-⅛
Chambers		6	38	5¼	5	5¼	
Forest La		32	255	41½	40¾	41⅛	+⅛
Frequency		460	16	4⅝	4½	4½	
Fr ofLoom		21	882	47⅞	47½	47⅝	-⅛
Gant FdA x	0.66	17	360	20⅝	20⅛	20⅛	-⅜
Glatfltr	0.70	12	378	18¼	18	18	
Goldfield		2	67	½			
Greenman		8	93	5⅞	5⅝	5⅝	
Gulf Cda	0.34	5	60	3¹³⁄₁₆	3¹³⁄₁₆	3¹³⁄₁₆	-¹⁄₁₆
Hasbro x	0.20	19	790	34⅜	34	34⅛	-⅝
Moog A		17	53	4⅝	4⅝	4⅝	+⅛
MSR Expl		2	65				
Nat Pint		10	273	2⅝	d2	2½	
New Line		28	295	12⅜	11¾	12⅜	+1
NY TimesA	0.56	71	180	28	27½	28	+⅛
NthCanOil	0.17	56	2	10	10	10¼	-⅛
Numac O&G		2	12	4¾	4⅝	4¾	
NV Ryan		1	23				
Odetics A		31	z100	5	5	5	
UnivFoods	0.20	4	19	1¾	1¾	1¾	
UnivPtnts		48	6	11⅝	11¼	11¼	-⅛
US Cellul		89	25	20½	20¼	20½	+⅜
WangLab C		0	17	2	1⅞	1⅞	+⅛
WangLab B		0	1236	½			
Weatherfd		115	400	6	5¾	5¾	-⅛
Westamer	0.52	9	53	21⅞	21⅝	21⅝	-⅛
WIRET	1.12	18	244	13¼	13	13	
Worthen x	0.15	10	30	25¾	25⅜	25⅜	-½
Xytronix		9	17	9¼	9	9	

NASDAQ NATIONAL MARKET

3 pm November 16

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
WD-40	1.80	18	17	43¾	42½	43¼	+1¼
Wattek		3	263	4¾	4½	4¾	
West One	1.04	11	745	46	45½	46	
WstnPubl		22	479	20¼	19¾	19¾	-½
Wst SealA		23	26	9	8¾	9	+⅛
Willmette	0.84	22	669	35¼	34½	35¼	+¼
WmSonoma		63	936	12½	12	12½	
Wiser Oil	0.40	516	269	15⅝	15⅛	15½	
Wolohan L	0.28	15	16	23	22½	22½	-½
Wolv Expl		0	501	⅛	d¹⁄₁₆	⅛	
WhEr/WSOA			317				
Worthington	0.48	24	889	23⅝	23⅛	23½	+⅛
WPP Group	1.11	1	388	1⅝	1⅝	1¼	
Wyman-Gdn	0.40	1	149	5⅛	4¾	5	+⅛

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		21	2032	20	19½	19¾	-¼
Xoma Corp		4	1103	10¼	9¾	10	-¼
Yellow Fr	0.94	22	322	28¾	28½	28½	-⅝
York Rsch		7	1295	7⅛	7⅛	7¼	
ZionsUtah	1.44	11	13	68	67	67	

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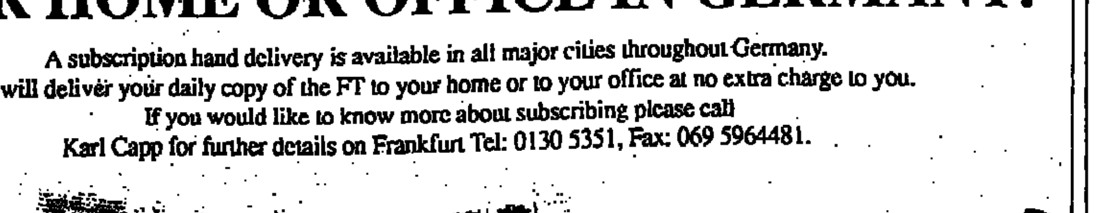

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FINANCIAL TIMES

FINANCIAL TIMES

Tuesday November 17 1992

AMERICA

Dow recovers after Clinton press briefing

Wall Street

AFTER incurring heavy losses in early trading on poor corporate earnings news, US share prices made a partial recovery following a press briefing on the economy by President-elect Bill Clinton, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 13.78 at 3,219.25, after falling more than 20 points earlier in the day. The Standard & Poor's 500 was also lower at midsession, down 0.88 at 421.55, while the Amex composite slipped 2.37 to 387.32 and the Nasdaq composite eased back 1.86 to 635.30. Turnover on the NYSE was 104m shares by 1 pm.

The morning's economic statistics failed to spur demand for stocks, even though the 0.3 per cent rise in October industrial production and the 0.1 percentage point gain in capacity utilisation were both slightly higher than forecast.

Instead, investors focused on a few third-quarter earnings reports, notably from Toys 'R' Us and Kmart, which disappointed expectations. The market was also hurt by a big earnings downgrade of the airline industry.

After dropping sharply in the first few hours, share prices recovered some of that lost ground around midday, aided by comments from President-elect Clinton which suggested thathe would not be scaling back his plans to aid the economic recovery.

Kmart fell $¼ to $27¼ after reporting that third quarter net income was 27 cents a share, only slightly better than the 25 cents a share recorded a year earlier. Although the per-share earnings figure was distorted by the impact of newly issued shares on the calculation, Kmart's performance in the quarter disappointed some investors.

There was a similar response to the earnings report from Toys 'R' Us, which showed profits up marginally to 12 cents a share in the July to September period. The news left the toy retailer's shares $⅝ lower at $36.

Airline stocks fell sharply after after the securities house, First Boston, drastically reduced its earnings estimates for the industry. Delta Air Lines, which saw its 1993 estimate slashed from a profit of $2 a share to a loss of $3.50 a share, plunged $2¾ to $54¼. UAL fell $4¼ to $119⅝. AMR, parent of American Airlines, dropped $1⅝ to $63⅝ and USAir eased $⅜ to $13.

American Reliance fell $⅝ to $6¼ on the American Stock Exchange after reporting a third-quarter loss of $11.92 a share, a sharp deterioration from the 45 cents a share profit in the year-ago period.

Canada

TORONTO stocks slid at midday, dragged down by a rise in Canadian prime rates, losses on Wall Street and continued weakness in gold prices. Diamond miners, however, continued to perform well after Friday's announcement of a new Canadian diamond find.

The TSE-300 Index dropped 23.56 to 3,245.97 in turnover of C$113m. Declines outpaced advances by 228 to 148 with 224 unchanged.

Brascan's receipts dropped another C$1⅛ to C$38 in heavy volume. Bank shares slid on the rate rise, led by the Bank of Montreal which dropped C$½ to C$45⅝ and the Bank of Nova Scotia which slipped C$⅝ to C$23.

SOUTH AFRICA

JOHANNESBURG lost early gains to end mixed following lower than expected results from Barlow Rand. The overall index was unchanged at 3,041 and the industrial index fell 2 to 4,069. The gold index dropped 3 to 774.

EUROPE

Paris falls on fading hopes of further rate cuts

THERE was no clear trend among continental bourses yesterday, as French equities weakened and Italian shares continued to power ahead, writes *Our Markets Staff.*

PARIS fell back on fears that last week's interest rate cut was the last reduction for some time. A weak start on Wall Street contributed to the easier tone as the CAC-40 index fell 24.07 to 1,772.73 in thin turnover of FFr1.7bn, generated mainly by arbitrage and domestic activity.

Euro Disney dropped FFr5.15 or 6.5 per cent to FFr74.70 following negative weekend press comment in the UK. An article in a US newspaper quoting a recent sell recommendation from Paribas which described Euro Disney as a "high-risk" share also prompted selling.

Michelin dropped FFr8.10 or 4.2 per cent to FFr186.50 after the release of nine-month sales whichshowed a decline in the third quarter.

Among smaller stocks, Pernod Ricard, which last week downgraded its 1992 earnings outlook, lost Fl 4.1 to Fl 395, while several large blocks of Bic were crossed yesterday as the shares rose by FFr3 to FFr904 with 65,200 shares traded.

FRANKFURT ended a mixed day with distinct contrasts among senior blue chips and the DAX index fell 1.57 to 1,546.95 after last week's 4.1 per cent gain. Turnover fell from DM6.7bn to DM4.8bn.

Siemens rose another DM9.30 to DM588, reinforced by last week's better-than-expected results. But Daimler dropped DM14.60 to DM539.40 on unexpectedly low car and truck deliveries since July, and a forecast of a 22 per cent drop in net profit. Several securities houses have downgraded their earnings estimates for Daimler in the past few days. Mr Harry Jaarsma of Dresdner said that his bank had dropped its EPS forecasts from DM55 to DM49 for 1992 and from DM50 to DM40 for 1993.

Other notable winners among DAX constituents included Schering, up DM9.50 to DM745.50: Mr Jaarsma said that higher interest income, following sales of subsidiaries *should* help the company offset weakening in both agrichemicals and pharmaceuticals. Continental, lifted by technical support, rose DM3.70 to DM205.50.

MILAN continued its recent rally in active trading on the first day of the final account of 1992, with persistent privatisation hopes and speculative buying by domestic investors fuelling the rise. The Comit index added 11.42 or 2.5 per cent to 472.38 in turnover estimated at near Friday's L410bn.

State-controlled banks remained in the limelight, with Credito Italiano adding L80 to L2,910, Banca Commerciale Italiana up L441 or 10 per cent to L4,801 and Banca di Roma L173 higher at L2,450.

Other state-owned companies were in demand, and trading in shares of Alitalia and Assitalia was delayed due to an order imbalance. The airline's shares stopped trading at L770, up 3.1 per cent or L23 from Friday, while shares in the insurer closed up L1,045 or 11.8 per cent to L9,895.

Trading was suspended in Sme pending details from its parent company, Iri, on how it plans to sell parts of the food company.

ZURICH ended lower, the SMI index falling 15.9 to 1,913.4 *after* weekend polls showed that the Swiss electorate would reject membership of the European Economic Area (EEA) at a referendum in December.

Swissair bearers fell SFr35 to SFr435, on fears that the national carrier would find access to the European market more difficult if EEA membership was rejected.

MADRID continued to rise on Friday's better-than-expected inflation data, but profit-taking saw it close off intraday highs in active trading. The general index put on 1.15 to 203.81 in turnover up from Pta13.4bn to Pta14.6bn.

Nine-month earnings reports from Telefonica and Repsol left the former Pta10 better at Pta1,040 after an earlier gain of Pta30, and the latter flat at Pta2,485.

STOCKHOLM gained in moderate trading as domestic interest rates fell back and last week's money market turmoil appeared to subside. The Affärsvärlden general index rose 5.0 to 725.8 in turnover of SKr430m after SKr527m.

The forestry sector led the gains on speculation that the central bank will soon be forced to abandon its fixed exchange rate policy and allow the krona to float. Stora B shares jumped SKr15 to SKr192.

Ericsson B shares were up SKr4 to SKr133 on hopes that its nine-month earnings report, due on Thursday, will be stronger than expected.

AMSTERDAM ended mixed to firmer, as the CBS Tendency index rose 0.4 to 105.2. The brewer, Heineken, was among the big gainers as it picked up Fl 1.40 to Fl 174.40. But DSM shed Fl 3.50 to Fl 73.10.

HELSINKI fell on lack of progress in talks on updating the national incomes settlement; the trade union confederation, SAK, said that it would call member federations together on *Friday to consider* future action if the settlement talks fail. The Hex index fell 14.5 or 1.8 per cent to 779.1.

FT-SE Actuaries Share Indices

November 16 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1056.10	1059.64	1061.07	1062.10	1062.38	1061.20	1059.79	1058.27
FT-SE Eurotrack 200	1109.32	1112.92	1112.88	1114.46	1115.37	1114.19	1112.66	1110.19

	Nov 13	Nov 12	Nov 11	Nov 10	Nov 9
FT-SE Eurotrack 100	1059.26	1059.91	1045.16†	1054.50	1043.29
FT-SE Eurotrack 200	1114.93	1120.89	1106.98†	1117.70	1108.00

Base value 1000 (26/10/90) High/day: 100 - 1062.67, 200 - 1116.31 Low/day: 100 - 1055.89 200 - 1109.32 †Partial

ASIA PACIFIC

Politics and poor results depress Japanese volume

Tokyo

VOLUME fell to a 10-year low yesterday as share prices lost more ground, *writes Emiko Terazono in Tokyo.*

The Nikkei average fell 167.80 to 16,162.99 on small-lot selling by individuals and arbitrage-unwinding. It opened at the day's high of 16,314.94, and fell to a low of 16,122.97 in the afternoon.

Volume was just 120m shares, its lowest since August 1982. Declines led advances by 593 to 293 with 204 unchanged, the Topix index of all first section stocks fell 9.72 to 1,232.52 and, in London, the ISE/Nikkei 50 index was 1.69 down to 989.06.

Investors remained cautious over the continuing deadlock in parliamentary debates, and weak interim company results. Wako Research Institute reported a fall of 39 per cent in the total non-consolidated pre-tax profits at the 407 first-section companies which had announced their results by last Friday, while sales had declined by 3.4 per cent.

For the full year to March, 332 companies expect a fall in profits while 267 companies project a decline in sales.

On the trading floor, speculative issues dominated activity. The medium-sized SS Pharmaceutical was the most active *issue of the day, declining Y30* to Y1,010. It rose initially by its daily limit on early reports of the development of a new Aids drug, but fell later on heavy profit-taking.

Green Cross, which followed SS in activity, rose Y10 to Y1,310.

Bank shares were lower on worries of short-selling. Rumours that hedge funds may target bank shares, which have remained relatively stable during the recent downturn, discouraged investors. Industrial Bank of Japan fell Y100 to Y3,310 and Sakura Bank lost Y20 to Y1,060.

Electronics continued to lose ground on prospects of lower profits. Hitachi fell Y6 to a new year's low of Y700, while NEC also saw a new low for the year, declining Y17 to Y610.

Steel companies retreated after last Friday's poor results. Nippon Steel fell Y4 to Y275.

Sega Enterprises, the video maker, was one of the few *gainers of the day, rising Y50* to Y9,400. The company retained its popularity thanks to its brisk profit projections.

In Osaka, the OSE average fell 121.21 to 17,560.35 in volume of 20.3m shares. Aoyama Trading, a discount retailer of office workers' blue suits, rose Y140 to Y7,450. The company posted firm interim results as consumers opted for cheaper clothing.

Roundup

THE region's markets mostly followed Tokyo down, although for their own reasons.

HONG KONG finished sharply lower as the worsening Sino-British row over the colony's future triggered profit-taking by local investors, but a flurry of late buying allowed it to retrace some early losses.

The Hang Seng index retreated 71.73 or 1.1 per cent to 6,294.83, above an intraday low of 6,261.99. Turnover fell *from HK$3.24bn to HK$2.50bn.*

Blue chips which gained most in the recent rally were hit hardest by profit-taking, with the most active HSBC Holdings losing 50 cents to HK$65 and its Hang Seng Bank unit dropping $1.50 to $56.50.

AUSTRALIA fell for a seventh straight day to end at a 21-month low ahead of this week's release of bank results. The All Ordinaries index closed 14.5 down at 1357.2, the lowest finish since February, 1991, in turnover of A$183m.

ANZ profits are due today, and Westpac and NAB on Thursday. ANZ closed 7 cents lower at A$2.53. Westpac fell 4 cents to A$2.59 while NAB rose 6 cents to A$6.83.

SINGAPORE fell sharply in nervous trading on talk, confirmed after the close, that both of the country's deputy prime ministers were suffering from cancer. The Straits Times Industrial index closed at 1,414.27, down 2.3 per cent or 32.53 *in active volume of* 130.39m shares.

BANGKOK dropped 1.8 per cent after the central bank requested banks, finance and securities firms to cut down their loan credits to stock investors. The SET index lost 15.93 to 893.31 in turnover of Bt5.64bn, the thinnest day's trading in four weeks.

SEOUL slid in very thin trading in a technical adjustment after the recent rally. The composite index closed 15.64 lower at 616.64 in turnover of Won370.68bn compared with Won496.35bn.

TAIWAN's weighted index, which edged just above 3,600 before profit-taking set in, ended 15.35 higher at 3,588.44 in turnover of T$5.85bn. The financial sector closed 1.4 per cent higher as investors regained some buying interest in the Big Three banks, which rose between T$1 and T$1.50 each.

MANILA dipped in light *trading as the composite index* fell 7.35 to 1,339.57 in combined turnover of Won152.27m.

KUALA LUMPUR continued to consolidate after the recent bull run. The composite index fell 4.37 to 646.25 in volume of 170.2m shares against 217.6m.

NEW ZEALAND was lifted by a strong performance from Carter Holt Harvey which gained 14 cents to $2.64 after reporting an interim NZ$112.4m profit on Friday. The NZSE-40 capital index rose 8.6 to 1409.50 in turnover of $17.6m.

Denmark and Italy help tip the balance

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	-1.49	-2.02	-20.86	-12.45	+2.19	-15.37
Belgium	+1.01	+4.86	-1.74	-1.58	+14.79	-4.93
Denmark	+9.00	+9.83	-26.25	-22.31	-7.94	-23.76
Finland	-0.28	+25.74	+0.22	+7.22	+7.94	-10.61
France	+0.27	+7.10	-2.51	+1.45	+20.12	-0.52
Germany	+3.65	+5.44	-8.27	-4.84	+11.27	-7.85
Ireland	-1.06	+0.98	-23.97	-21.56	-8.69	-24.38
Italy	+7.37	+11.18	-5.89	-6.10	-1.67	-18.57
Netherlands	+0.34	+1.49	-0.78	+3.33	+21.00	+0.20
Norway	-2.67	+2.09	-30.11	-21.36	-11.15	-26.42
Spain	+1.98	+5.07	-19.50	-17.65	-14.26	-28.99
Sweden	-0.29	+9.80	-14.27	-7.60	+4.90	-13.12
Switzerland	-0.98	+1.87	+7.30	+12.63	+30.47	+8.04
UK	-0.03	+5.87	+5.10	+8.25	+8.25	-10.34
EUROPE	+0.99	+5.64	-1.64	+1.71	+10.44	-8.54
Australia	-4.15	-4.19	-20.96	-19.95	-11.79	-26.95
Hong Kong	+0.82	+4.68	+47.88	+45.99	+77.37	+46.89
Japan	-2.42	-4.96	-31.20	-26.60	-10.62	-25.98
Malaysia	-0.02	+12.65	+21.78	+21.84	+58.92	+31.61
New Zealand	0.00	+1.35	-16.36	-15.31	-0.67	-17.73
Singapore	+1.77	+11.30	-7.23	-7.94	+10.31	-8.64
Canada	-1.46	+2.12	-11.48	-8.37	+1.28	-16.13
USA	+1.15	+2.75	+6.88	+1.67	+22.76	+1.67
Mexico	+3.09	+12.94	+11.33	+11.39	+31.46	+8.87
South Africa	+0.35	+3.59	-18.82	-15.49	-30.97	-42.83
WORLD INDEX	+0.07	+1.46	-8.27	-7.26	+8.59	-10.07

† Based on November 13th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and County NatWest Securities

By William Cochrane

FOREIGN and arbitrage selling hit Japanese equities last week, as investors who had bought stocks in the Nikkei rally last September decided to lighten their positions.

Experience was mixed in the US, with strength in second-line stocks outweighing a flat week for senior blue chips, and it was left to Europe, up 1.0 per cent, to tip the FT-Actuaries World Index into an even more modest 0.1 per cent gain on the week.

A strong dollar, interest rate cuts in France and Italy and *what optimists hoped was the* start of a pre-Christmas rally in Germany, put Europe into the black. The outstanding performers were Denmark and Italy, although Germany's 3.6 per cent gain was important in terms of sheer weight.

Denmark, too, was an interest rate story. Until last week, when Japan took over again, it had had the uneasy distinction of being the worst performer in the FT-Actuaries World Indices this year, undermined by rising interest rates in *Europe in the spring,* the increasing interest-rate differential to Germany after the June 2 Maastricht referendum and, thereafter, its own version of the 1992 disaster in the Nordic financial sector.

Last week it galloped up 9 per cent on Tuesday's repo rate cut by the central bank. Unibank Securities thinks that there is potential for at least another 15 per cent increase in Danish equities over the next 12 months with interest rates coming down further and market psychology improving.

Italy's gain was the more impressive as it came in *steadily rising volume,* which registered a heavy L408bn last Friday.

Pastorino & Partners says that, in the excitement surrounding the country's privatisation programme, the announcement by Iri that it will sell its entire stake in Credito Italiano has attracted the interest of foreign investors, to a limited extent, and of small savers – "both longstanding absentees from the market".

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY NOVEMBER 13 1992								THURSDAY NOVEMBER 12 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	110.20	-0.1	105.44	86.31	89.75	105.69	-0.2	4.60	110.36	107.38	86.57	91.06	105.91	153.68	110.20	158.48
Austria (19)	140.94	+1.3	134.85	110.38	114.78	114.87	+0.1	2.46	139.13	135.35	109.14	114.83	114.77	186.70	138.51	169.19
Belgium (42)	137.23	+0.3	131.30	107.47	111.76	109.48	-0.8	5.63	136.80	133.08	107.30	112.90	110.15	152.27	134.41	134.31
Canada (114)	114.32	-0.5	109.38	89.53	93.10	104.59	-0.5	3.33	114.90	111.78	90.13	94.82	105.12	142.12	112.97	141.55
Denmark (34)	203.67	+1.8	194.88	159.52	165.87	166.76	+0.7	1.64	200.13	194.69	157.00	165.17	165.56	273.94	184.18	260.81
Finland (15)	69.74	-0.8	66.73	54.63	56.80	72.60	-1.5	1.94	70.28	68.37	55.13	58.01	73.67	89.80	52.84	82.91
France (99)	149.68	+0.2	143.20	117.21	121.88	124.07	-1.1	3.63	149.35	145.29	117.16	123.25	125.51	168.75	144.70	146.33
Germany (64)	108.12	+2.1	103.45	84.69	88.05	88.05	+0.7	2.62	105.93	103.05	83.11	87.43	87.43	129.69	102.51	113.18
Hong Kong (53)	259.05	-1.2	247.87	202.89	210.99	257.14	-1.2	3.60	262.28	255.15	205.74	216.48	260.33	262.28	176.36	175.86
Ireland (16)	126.89	+0.2	121.41	99.38	103.34	106.14	-0.7	5.16	126.61	123.17	99.32	104.49	108.92	173.71	*123.96	162.55
Italy (77)	61.39	+4.5	58.74	48.07	49.99	61.37	+2.9	3.38	58.74	57.15	46.08	48.48	59.64	80.86	47.47	71.06
Japan (472)	100.54	-0.3	96.20	78.74	81.88	78.74	-0.4	1.07	100.79	98.05	79.07	83.20	79.07	140.95	87.27	137.44
Malaysia (69)	281.89	+0.3	269.72	220.77	229.57	273.48	+0.2	2.39	280.93	273.29	220.36	231.85	273.08	282.42	212.49	209.30
Mexico (18)	1514.54	-1.2	1449.14	1186.18	1233.47	5152.39	-1.3	1.16	1532.78	1491.13	1202.40	1265.06	5221.96	1789.77	1185.84	1404.63
Netherland (25)	152.98	+0.8	146.38	119.81	124.59	123.06	-0.6	4.61	151.83	147.70	119.10	125.31	123.76	169.70	147.88	147.76
New Zealand (13)	38.65	-0.1	36.98	30.28	31.48	39.10	-0.3	5.80	38.69	37.64	30.35	31.93	39.22	48.52	37.39	48.99
Norway (22)	131.55	-1.4	125.87	103.03	107.14	113.83	-2.7	2.13	133.48	129.85	104.71	110.17	116.99	192.95	131.36	181.19
Singapore (38)	200.69	+1.0	192.03	157.18	163.45	150.98	+0.6	2.18	198.75	193.35	155.91	164.03	150.07	229.63	179.65	208.90
South Africa (60)	142.29	-0.8	136.15	111.44	115.88	146.19	-0.1	3.50	143.47	139.57	112.54	118.41	146.37	263.60	139.37	267.30
Spain (46)	111.07	+2.4	106.27	86.99	90.45	94.36	+1.1	6.36	108.46	105.51	85.08	89.52	93.30	161.72	107.10	148.29
Sweden (31)	157.37	+2.4	150.57	123.25	128.17	137.33	+1.1	2.86	153.70	149.52	120.57	126.86	135.90	200.28	149.69	174.18
Switzerland (60)	108.44	+0.5	103.76	84.94	88.33	94.98	-0.9	2.25	107.85	104.92	84.61	89.02	95.85	122.37	95.99	98.66
United Kingdom (228)	166.16	+0.7	158.98	130.12	135.31	158.98	-1.0	4.63	165.06	160.57	129.47	136.22	160.57	200.07	182.78	180.42
USA (522)	172.71	-0.1	165.26	135.27	140.67	172.71	-0.1	2.94	172.85	168.16	135.60	142.67	172.85	173.39	160.92	156.67
Europe (780)	135.08	+1.1	129.25	105.79	110.02	119.47	-0.4	3.94	133.63	130.00	104.83	110.30	119.94	156.88	131.85	143.06
Nordic (102)	147.22	+1.8	140.86	115.30	119.90	121.26	+0.6	2.40	144.55	140.62	113.39	119.30	120.51	186.52	141.24	179.51
Pacific Basin (713)	105.99	-0.3	101.41	83.01	86.32	84.71	-0.4	1.43	106.29	103.40	83.38	87.72	85.07	141.97	93.70	138.81
Euro – Pacific (1493)	117.76	+0.3	112.68	92.22	95.90	98.62	-0.4	2.59	117.35	114.16	92.05	96.85	99.03	146.21	113.60	140.84
North America (636)	169.09	-0.1	161.79	132.44	137.73	168.09	-0.1	2.96	169.26	164.66	132.79	139.72	168.26	170.49	158.70	154.71
Europe Ex. UK (552)	118.08	+1.4	111.07	90.93	94.56	97.84	+0.0	3.45	114.51	111.39	89.84	94.53	97.81	132.98	112.24	120.77
Pacific Ex. Japan (241)	159.53	-0.4	152.64	124.96	129.94	148.33	-0.5	3.63	160.25	155.89	125.73	132.27	147.11	176.31	149.00	152.24
World Ex. US (1685)	118.76	+0.3	113.63	93.02	96.73	100.57	-0.4	2.62	118.42	115.20	92.90	97.74	101.00	146.91	116.18	143.01
World Ex. UK (1979)	133.17	+0.1	127.42	104.30	108.46	119.15	-0.2	2.54	133.07	129.46	104.40	109.84	119.38	150.58	127.21	142.95
World Ex. So. Af. (2147)	136.10	+0.1	130.22	106.60	110.85	122.42	-0.3	2.75	135.91	132.22	106.63	112.18	122.76	153.05	130.04	145.40
World Ex. Japan (1735)	156.02	+0.3	149.28	122.21	127.09	148.35	-0.2	3.31	155.62	151.39	122.09	128.46	148.69	165.40	151.93	152.25
The World Index (2207)	136.03	+0.1	130.16	106.54	110.79	122.88	-0.3	2.75	135.86	132.16	106.58	112.13	123.02	153.70	130.66	146.21

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Latest prices were unavailable for this edition.

VIEWPOINT The Commerzbank report on German business and finance

The EMS: battered but not beaten

The European Monetary System (EMS) has recently been shaken by the market's verdict that some EC countries will not be able to join the future club. The outcome of the French referendum was not sufficiently reassuring and doubts remain as to whether fixed exchange rates in the EMS can be maintained.

Solid growth in Western Europe, a better grasp of how international policy coordination functions and the general will to achieve low inflation and sustainable public-sector deficits turned the EMS into a system of quasi-fixed exchange rates, which it remained for five and a half years. And this was not questioned even after the severe strains of German unification became apparent.

Fundamental problems

The notion that exchange rates were fixed was swept aside when the UK and Italy temporarily withdrew from the exchange-rate mechanism (ERM). After having ignored the possibility of a realignment for too long, market participants tended for a time to overreact through large-scale selling of even fundamentally sound currencies, most notably the French franc.

Although the interest differential *between the franc and the D-mark* has been substantially reduced, the French government has repeatedly complained about Germany's high interest rates, especially in view of its own intolerably high unemployment level. This prompted doubts about France's determination to live with German rates.

Generally speaking, if market pressure focuses on the currency of a fundamentally strong economy, the central bank should not hesitate to raise interest rates and intervene. Market pressure will ease fairly soon, allowing short-term rates to decline again. Defending parity for a time is ultimately less expensive than the loss of anti-inflationary credibility through devaluation.

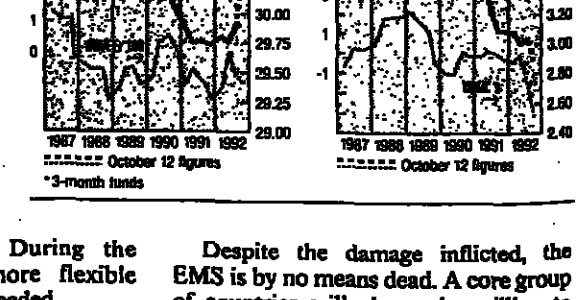
"A two-speed monetary union does not reflect Maastricht's political core."

Yet if a country has serious economic problems, as for example Italy does, clinging to fixed exchange rates is pointless. In the long run, an overvalued currency could only be propped up by high, or even rising, interest rates, which undermine fiscal consolidation and stifle growth. Under these circumstances, regaining domestic stability has to take priority over exchange-rate stability. During the adjustment phase, a more flexible exchange-rate regime is needed.

Obvious cases like France and Italy are easy to assess; that of the UK is not so clear-cut. With the economy in a severe recession, sterling's relatively high rate became hard to defend, and even its broad ERM band was not wide enough to allow interest rates to fall sufficiently. Finally, confidence was undermined by the reluctance to raise interest rates as sterling came under speculative pressure.

The UK can now give priority to overcoming recession. While it need not rush to rejoin the ERM, such a move would be prudent as soon as an economic upswing emerges. Ideally, its monetary policy would then be placed in the hands of an independent Bank of England, with a firm commitment to stability, and sterling would have a narrower range. This would restore the credibility of the UK's anti-inflationary policy stance.

Interest differentials* and exchange rates: France, Germany and the UK
– quarterly averages –



*3-month funds

Despite the damage inflicted, the EMS is by no means dead. A core group of countries will always be willing to coordinate their monetary policies. What is more, if the Maastricht treaty is finally ratified, the EMS will be more necessary than ever. Recent events might seem to indicate that in monetary affairs a two-speed Europe is needed. Yet this view fails to recognize that monetary union is ultimately meant as a surrogate for political integration which is intended to embrace the whole EC.

COMMERZBANK
German know-how in global finance

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